As of 11 a.m. ET **DJIA** 9994.32 ▼ 0.18% **FTSE 100** 5092.33 ▲ 0.62% **Nikkei 225** 9951.82 ▼ 1.05% **Shanghai Comp.** 2935.17 ▼ 0.14% **Hang Seng** 19550.89 ▼ 0.58% **Sensex** 15935.61 ▲ 0.13% **S&P/ASX 200** 4521.36 ▲ 0.16%

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THE WALL STREET JOURNAL.

VOL. XXXIV NO. 114 (India facsimile Vol. 1 No. 175) * * ASIA Tuesday, February 9, 2010

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Fed crafts blueprint to tighten credit

By Jon Hilsenrath

WASHINGTON—Federal Reserve Chairman Ben Bernanke will begin this week to lay out a blueprint for a credit tightening, to be followed once the Fed decides the U.S. economy has recovered sufficiently.

The centerpiece will be a new tool Congress gave the central bank in October 2008: an interest rate the Fed pays banks on money they leave on reserve at the central bank. Known as "interest on excess reserves," this rate is now 0.25%.

The Fed is still at least several months away from raising interest rates or beginning to drain the flood of money it poured into the financial system in 2008 and 2009. But looking ahead to when the economy is strong enough to warrant tightening credit, officials have been discussing for months which financial levers to pull, when to start and how best to communicate their intent.

When the Fed is ready to tap the brakes, it plans to raise the rate paid on excess reserves, according to Fed officials in interviews and recent speeches.

The higher rate would entice banks to tie up money they otherwise might lend to customers or other banks. The Fed expects such a maneuver to pull up other key short-term rates, including the federal-funds rate at which banks lend to each other overnight—long the main tool for steering the economy.

"If the [Fed] were to raise the interest rate paid on excess reserves, this would raise the price of credit," New York Fed President William Dudley said in a December speech. "That, in turn, would limit the demand for credit."

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An anything-but-blue Monday on the streets of Kiev

Agence France-Presse/Getty Images

Supporters of Ukrainian presidential candidate Viktor Yanukovich rally in front of the Central Election Commission in the capital Monday. The pro-Russia Mr. Yanukovich appeared to win a narrow race against Prime Minister Yulia Tymoshenko, a former leader of the Orange Revolution. **Page 7**

Car industry could feel Toyota pinch

By Yoshio Takahashi And Mariko Sanchanta

Honda Motor Co.'s finance chief warned that **Toyota Motor** Corp.'s massive recall could have a ripple effect throughout the broader auto industry, denting consumers' faith in the quality and safety of vehicles.

In an interview, Honda Chief Financial Officer Yoichi Hojo also said the auto maker will ratchet up competition in the U.S. car market with increased incentives to reduce excess inventory of some models. At the same time, he stuck with the company's refusal to target incentives specifically to Toyota customers, despite similar moves by U.S. auto makers.

Honda's stance could leave an opening for **General Motors** Co. and other car makers that launched sales campaigns to give $1,000 to consumers who trade in their Toyota vehicles and buy their cars. **Ford Motor** Co. offered a program to draw new customers that includes Honda's customers as well as Toyota's.

By contrast, Honda has said it will offer "orthodox" measures such as leasing services and the usual discounts to any kind of customers, not limited to Toyota owners.

Toyota's quality issues could cast a shadow over other auto makers. "I think we should see this Toyota problem from a broader viewpoint," he said. "If customers start to harbor doubts about [quality and safety], that would be problem for the whole industry."

Mr. Hojo's comments illustrate the difficulties that Toyota's quality woes present to the rest of the industry. The world's No. 1 auto maker by sales volume is a fierce competitor with a strong presence in fuel-efficient vehicles such as its gasoline-electric Prius hybrid. The company has recalled 8.1 million vehicles for sudden-acceleration problems and will likely start a separate effort this week in Japan to fix braking problems on some Prius models, weakening its competitive edge.

At the same time, Toyota's troubles have raised sensitive industrywide issues, including the role of U.S. safety regulators such as the National Highway Traffic Safety Administration in probing Japanese-made cars after Wash-

Please turn to page 20

■ Toyota's U.S. chief is in the hot seat ..... Page 20

China hunts tons of tainted milk powder

By Gordon Fairclough

SHANGHAI—Chinese authorities say they are trying to track down nearly 100 tons of milk powder tainted with the industrial chemical melamine as the government struggles to prevent a recurrence of the large-scale milk contamination that killed six children and sickened about 300,000 others in 2008.

The hunt for the adulterated milk powder, distributed by a dairy company in the northern region of Ningxia, follows reports of other batches of melamine-tainted products across the country in recent months. The government last week started emergency inspections to get contaminated goods off store shelves.

China's continuing problems with melamine contamination—more than a year after the toxic chemical was discovered to be widespread in baby formula and other dairy products—highlight shortcomings in government efforts to ensure the safety of the nation's food supply, despite stricter regulations.

Since the extent of melamine adulteration became apparent in 2008, the central government has fought to reassure consumers that it can protect them. Courts imposed severe penalties on people involved: Two were executed in November. The scandal also helped to speed up passage of a comprehensive new food-safety law last year.

But gaps still remain—and are apparently being exploited by unscrupulous businesspeople, according to local authorities. In some cases, local

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What's News—

* * *

Business & Finance

■ **Kirin and Suntory ended** their merger talks after the beverage firms couldn't overcome differences over who would own and manage the future company. The announcement marked a setback for consolidation in Japan and sent share prices down across the industry. **17, 30**

■ **A new filing** by China Investment Corp. on its stakes in U.S.-listed companies sheds light on the $300 billion sovereign-wealth fund's investment practices but includes relatively few large holdings in the U.S. **17, 30**

■ **CIT Group is naming** former Merrill Lynch chief John Thain as chairman and CEO, uniting two prominent casualties of the credit crisis. **22**

■ **U.S. stocks wavered** as consumer plays rose but financial stocks fell. Greek shares declined for a fourth straight session, and the Nikkei 225 finished below 10000 as concerns about euro-zone debt ricocheted. **25**

■ **Huatai Securities aims** to raise as much as $2.53 billion from its IPO, making it the largest offering in China this year, but analysts said the brokerage may be off the mark in its pricing. **22**

■ **China Construction Bank** set a lower loan quota for 2010, in another sign Chinese lenders are adjusting lending in response to regulatory pressure. **22**

■ **Goldman Sachs's No. 2** investment banker in Japan, Kevin Quinn, is moving back to the U.S., the latest high-level departure from a foreign bank in Japan. **24**

■ **Xstrata said it will resume** dividend payments, though 2009 profit fell 82%. **18**

■ **Mongolia's prime minister** wants to keep ownership of a key coal asset in government hands, potentially restricting access by Western mining companies. **19**

Bloomberg News

Mongolian Prime Minister Batbold Sukhbaatar speaks at the Mongolia Economic Forum in Ulan Bator on Monday.

■ **Japan's current-account** surplus widened in December, helped by greater demand for Japan's exports from China and other Asian nations, though the upturn was smaller than expected. **5**

■ **India's economy is expected** to grow 7.2% in the year through March, the government estimated, as a surge in manufacturing and a rebound in services blunt the impact of a drop in farm output. **5**

■ **Taiwan said exports** grew 75.8% in January, the biggest increase in more than 33 years, powered by a recovery in demand from all its major export markets.

■ **Audi reported** its January sales rose 39% to 77,800 cars, as the VW premium brand benefited from strength in China. **21**

■ **Pimco's CEO said** bonds from emerging economies and the German government are the most attractive sovereign-debt securities in the world. **22**

■ **IBM unveiled** new processors, adding to competition in the market for mid-range servers. **21**

* * *

World-Wide

■ **Yanukovych won** Ukraine's presidential election, near-complete returns showed, but the opposition leader's opponent, Prime Minister Tymoshenko, showed no sign of conceding defeat. **7**

■ **China heralded** a major bust of computer hackers, with state media saying officials had shut what they called the country's largest distributor of tools used in malicious Internet attacks. **3**

■ **Sri Lanka arrested** former army commander and losing presidential candidate Gen. Sarath Fonseka at his office for what the army said were military offenses.

■ **Afghan authorities said** they arrested a district administrator who was allegedly feeding information to the Taliban on movements of Afghan and coalition forces in the north. **6**

■ **Pakistani authorities said** they arrested six suspected Taliban militants allegedly on their way to attack a five-star hotel and kill Americans in Lahore.

■ **Gunmen attacked** a vehicle carrying a former Pakistani government minister in Rawalpindi, killing at least two of his aides.

■ **An avalanche** in Indian-controlled Kashmir killed 17 Indian soldiers and injured 17 others near a popular ski resort.

■ **Australia announced** policy changes intended to attract more highly skilled workers.

■ **Dubai's Emaar Properties** said the observation deck of the world's tallest tower has been temporarily closed for maintenance just weeks after opening.

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According to a recent study, the dollar remains the world's top currency by a long shot when measured in a number of different ways.

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The Twitter "Fail Whale" appeared during the final moments of the Super Bowl, as viewers apparently crashed Twitter with too many tweets.

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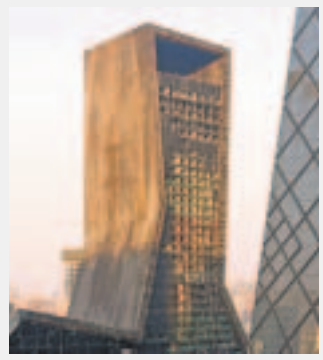

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WORLD NEWS

China heralds bust of hacker ring

Revealing November arrests, authorities say they shut country's largest distributor of tools for malicious attacks

By James T. Areddy

SHANGHAI—China heralded a major bust of computer hackers to underscore its pledge to help enhance global online security, with state media saying officials had shut what they called the country's largest distributor of tools used in malicious Internet attacks.

Three people were arrested on suspicion of making hacking tools available online, the state-run Xinhua news agency said Monday. Their business, known as Black Hawk Safety Net, operated through the now-shuttered Web site 3800cc.com and generated around $1 million in income from its over 12,000 subscribers, the report said.

The arrests took place in late November as part of a police investigation that spanned three Chinese provinces and resulted in part from Black Hawk's role in domestic cyberattacks, according to Xinhua.

The delay in announcing the case wasn't explained. It isn't unusual, however, for Chinese authorities to wait months to make such legal moves public.

China in recent weeks has waged an aggressive public-relations campaign on the issue of hacking, apparently at least in part aimed at discrediting allegations from **Google** Inc. last month that hackers from China were behind sophisticated cyberattacks against the Internet search giant and a number of other foreign companies.

After U.S. Secretary of State Hillary Clinton also raised concerns about hacking from China, Chinese state media said her comments were hypocritical, in part because the U.S. is a center of many similar activities. The government said Google had become a pawn in an American "ideology war" against China.

The delay in announcing the November arrests wasn't explained, but authorities often announce such legal moves months afterward.

State-media reports described Black Hawk as offering hacking "training," a euphemism for selling malicious software. Xinhua said the site helped to disseminate a computer virus in 2007 that wreaked havoc on private and government computers in the city of Macheng, in the central province of Hubei.

The Macheng prosecutor's office, in a statement, identified two men formally arrested in the case on Dec. 31 as 29-year-old Li Qiang and 28-year-old Zhang Lei, who it identified as founders of Black Hawk Safety Net. The men couldn't be reached to comment. A man answering phones at an office of Black Hawk in the Henan province city of Xuchang said its servers had been shut down but that he couldn't elaborate.

Chinese hackers have described the Black Hawk operation, which also included the site 3800hk.com, as important, but just among the many on the Internet. Increasingly, they say, programs designed to break into Internet-connected computers, known as hacking tools, are available on Chinese-language sites located outside the country.

China's closure of Black Hawk Safety Net reflects the use of a criminal-law clause introduced last year that makes it illegal to offer others online attack programs. Xinhua said some 1.7 million yuan in assets, or about $249,000, were also seized, including cash, nine servers, five computers and a car.

Numerous reports have fingered Chinese sources in various cyberattacks, including ones that targeted the offices of the Tibetan spiritual leader Dalai Lama and the German chancellor's office. Within China, various attacks over the years have involved theft of user accounts and whole Web site source code.

While Google alleged the hacking attempts it faced originated in China, outside experts briefed on the attacks say they were actually traced to servers in Taiwan, which some experts say Chinese hackers could have used as a cover.

According to a recent report by U.K.-based cybersecurity company Sophos PLC, China hosts far less malicious software on its servers than U.S. systems do, while other reports call it less of a spy threat than the U.S.. Other experts point out China is a less-than-ideal location to launch overseas attacks because the Internet's international links are slowed by limited bandwidth and heavy content filtering.

China has described itself as hackers' largest global victim. According to a report released last year, the hacker industry in China caused losses of 7.6 billion yuan in 2009.

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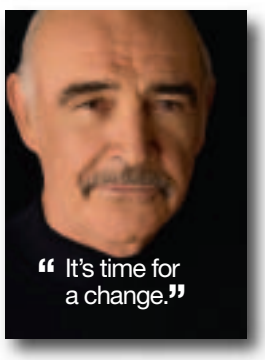

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Story of a building

2002

- Architects Rem Koolhaas and Ole Scheeren of the Office for Metropolitan Architecture unveil their design for the CCTV complex in Beijing.

2004

- Groundbreaking on the site of the CCTV complex.

2008

- Anticipated completion date of CCTV complex passes, buildings remain unfinished during Beijing Olympics.

2009

- **Feb. 9:** Illegal fireworks display sets off a fire that engulfs the Television Cultural Center building. One firefighter dies and several others are injured.
- **Feb. 12:** Twelve people are detained in connection with the fire, including Xu Wei, head of construction for the CCTV complex, and eight employees of the company that put on the fireworks display.
- **Feb. 19:** Five more people are detained for transporting fireworks to the CCTV site.
- **March:** Xu Wei and 11 others formally arrested. A cleaner dies in a fall from the CCTV tower.
- **April:** State Council launches an investigation into the fire.
- **May 16:** CCTV undergoes a management reshuffle. Three more CCTV employees detained by police.
- **August:** Residents of a nearby building whose homes were damaged in the fire protest against relocation plans.
- **October:** Architect Ole Scheeren says that the structure of the high-rise TVCC building is safe and that the building can be repaired.
- **November:** Fifteen employees of construction materials supplier Shengxing Curtain Wall arrested and charged with "major construction accident crimes."
- **December:** Preparatory repair work quietly commences on the site of the CCTV building.

2010

- **January:** Five Beijing municipal officials investigated for dereliction of duty in connection with the fire.

Source: WSJ reporting; Bloomberg News (photo)

CCTV fire report due

By Sky Canaves

BEIJING—The Chinese government is preparing to rebuild a skyscraper in the flashy new complex housing the national broadcaster, a year after the structure was gutted by a blaze sparked by fireworks.

This week, a joint committee convened by the State Council, China's cabinet, is expected to affirm the structural soundness of the the 44-story Television Cultural Center, in the final report of an investigation into the Feb. 9, 2009, fire at the $730 million China Central Television complex.

That would clear the way for major repairs on a building that was intended to help CCTV transform itself from a dull source of propaganda into a modern media powerhouse, but instead has become a charred, rusting eyesore in the middle of the capital's downtown business district.

The building "will be repaired, as there is no major damage to the structure of the main body," said Huang Yi, a spokesman for the State Administration of Work Safety, one of the government departments that collaborated on the investigation.

Ole Scheeren, a lead architect at Rem Koolhaas's Office of Metropolitan Architecture, which designed the CCTV complex, said in October that preliminary inspections had showed the burned building was intact and safe. But until recently, Chinese officials had said nothing publicly about its fate.

The boot-shaped high-rise has an exterior steel framework, much of which will be stripped away and rebuilt, and a concrete interior portion that can be salvaged.

Preparatory work for the repairs has started on the building site, according to people involved in the reconstruction project.

The **Mandarin Oriental Hotel Group** still plans to operate a high-end hotel on the upper floors of the building, as it was scheduled to do when the fire struck. "Mandarin Oriental's intention remains the same," said spokeswoman Sally de Souza.

CCTV made a rare public apology shortly after the fire, but has repeatedly declined requests for further comment. Meanwhile, the hulking 159-meter structure has stood largely untouched. The better-known CCTV tower, a square-doughnut-shaped building that sits next to it, was unharmed by the fire but remains unoccupied.

CCTV is at the center of Beijing's "soft power" push to export Chinese media content around the world. Within the last year, the broadcaster has launched international channels.

CCTV is also trying to remake its image at home, where it enjoys a monopoly as the sole nationwide network, by revamping its staid evening news program and expanding its reach on the Internet.

Mr. Huang, of the work-safety administration, said the report will also include findings on the nature of the fire, criminal liability, the handling of the accident and resulting economic losses. The report is likely to leave at least some questions unanswered, since only selected highlights will be made public.

So far, much of the blame for the fire has fallen on a small group of CCTV officials who arranged for an outside company to put on a heavy-duty pyrotechnical display to mark the end of the Lunar New Year celebrations last year. The festivities went awry when one of the industrial-grade fireworks struck the nearly completed tower. One firefighter died and several others were injured in the blaze.

Authorities say CCTV failed to obtain a permit to set off powerful fireworks and ignored warnings from police to cancel the event. CCTV said after the fire that it didn't authorize the fireworks show, although a government report said last year was the third year that the CCTV site hosted a fireworks display.

At least 38 people have been arrested or detained as a result of the fire, ranging from suppliers of construction materials to employees of the company that provided the fireworks. Five Beijing officials are also under investigation for lax supervision.

Xu Wei, formerly head of construction for the complex and deputy chief engineer for CCTV, is the most senior of seven CCTV officials to be charged. If convicted, he could face seven years in prison for allegedly organizing the illegal display. Mr. Xu couldn't be reached to comment and hasn't made any public statements since the fire.

In May, three months after the fire, CCTV chief Zhao Huayong was replaced by a top propaganda official from the Communist Party's Central Committee, reportedly because Mr. Zhao had reached retirement age.

—Kersten Zhang contributed to this article.

中国实时报
CHINAREALTIMEREPORT

The Wall Street Journal's China Real Time Report ***(http://blogs.wsj.com/chinarealtime)*** *this week looked at Chinese angst over U.S. Treasurys and pandas returning home. Excerpts:*

Treasury angst returns

There's nothing like a big number to focus a debate. Forecasting a $1.6 trillion budget deficit in 2010, President Obama's budget has given new life to a persistent Chinese concern ever since the U.S. declared it would borrow its way out of the financial crisis: How does China insulate its massive foreign-exchange reserves against a weaker U.S. dollar?

So far the renewed chatter seems to be limited to China's punditry.

"China has effectively been kidnapped by U.S. debt. We hold so much now that it's hard to get away," said Ding Jianping of Shanghai University of Finance and Economy, according to a report in China Business News. He also tied the issue to China's broader relations with the U.S, with the paper quoting him as saying that given that the U.S. needs China to keep buying debt, it should work to reduce tension in the bilateral trade relationship.

The 21st Century Business Herald also took a strident tone in an opinion piece by staff reporter Guo Kai, who said China should free itself from being the "passive captive of Treasurys and the dollar."

"If China can't break out of the dollar trap and we continue to pour our financial and fiscal lifeblood into U.S. Treasurys, then once we've nourished the U.S. economy back to health, the pattern of U.S. hegemony will also return."

Still, this round of posturing hasn't yet reached the upper echelons of China's leadership, or prompted a repeat of Premier Wen Jiabao's comments last March that he was "worried" about the safety of China's U.S. assets, which sent a chill through the Treasury market. His comments, echoed by other senior officials, signaled that Beijing, as the U.S.'s largest creditor, was feeling increasingly justified in criticizing the U.S. economic model.

As it turns out, the weaker dollar hasn't proven a big problem for China's reserves so far. As the dollar weakened globally, the yuan followed it down in lockstep, preserving the value of its foreign-exchange reserves when measured in either dollars or yuan.

The problem for China's policy makers a year ago as now: There just aren't that many places into which they can divert the country's accumulating foreign-exchange pile without distorting the market. That will likely keep the U.S. and China joined at the hip at least until this financial crisis has fully worked itself out.

—Dinny McMahon, with contributions from Bai Lin

'Returnee Pandas' Land

The '**FedEx** Panda Express' arrived in the Sichuan provincial capital of Chengdu Friday, bringing American-born giant pandas Mei Lan and Tai Shan back to their ancestral home from zoos in Atlanta and Washington, respectively.

Xinhua reports that, upon landing at Chengdu's Shuangliu International Airport, the panda plane was boarded by workers who sprayed the animals and aircraft with disinfectant. Their state-of-the art travel crates were then lowered onto special transport vehicles. Xinhua said the pandas didn't appear particularly tired after the 14-hour flight, and that they stared at onlookers with "curiosity," though from a Chinese television news report, it looks like they were more interested in snacking on bamboo.

After a brief official welcoming ceremony, the pandas were whisked off to their new homes: Mei Lan at the Giant Panda Breeding Research Base in suburban Chengdu, and Tai Shan a couple of hours away at the Ya'an Bifeng Gorge panda base, part of the Wolong nature reserve's panda conservation center. (Wolong was badly damaged in the 2008 Sichuan earthquake, and many of its pandas had to be relocated.)

According to bilateral agreements, giant pandas may only be "loaned" to the U.S. for research, and their offspring should be repatriated once they reach the breeding age of two.

—Sky Canaves

Imaginechina via Associated Press

The FedEx plane that brought two U.S.-born pandas, at Chengdu's airport.

Japan's surplus rebounds

Demand for exports, especially in China, raises hopes for GDP data

By Andrew Monahan

TOKYO—Greater demand for Japan's exports from China and other Asian nations further bolstered Japan's current-account surplus in December, though the recovery was smaller than expected, in a boost to an economy looking for a way forward despite weakening domestic demand.

Demand from Japan's neighbors for its electronics and auto parts led to the nation's first increase in overseas shipments in 15 months. The rise is expected to bolster year-end economic figures, which will be released next week.

Economists expect data next week may show the country's gross domestic product expanded by around 4% in October-December compared with 1.3% growth in the previous quarter. Analysts say improved exports, particularly to emerging markets, will remain key in the current quarter.

That is because a weak job market and deflation continue to block self-sustaining growth. Separate Bank of Japan data Monday showed Japanese bank lending fell at its fastest pace in more than four years in January, as companies demanded less funds for business investment and operations.

Export support

Japan's current-account balance, in trillions of yen

Source: Ministry of Finance, Japan

Exports are expected to continue recovering, pushing the current-account surplus higher in the months ahead, analysts said. That recovery should be welcome news for the government of Prime Minister Yukio Hatoyama, as it means the country has "excess savings to finance more domestic fiscal spending," despite Japan's ballooning public debt, said Takuji Aida, senior economist at UBS Securities.

The Finance Ministry said Monday that December's surplus grew compared with the year-earlier period for the fifth straight month to 900.8 billion yen ($10.08 billion) before seasonal adjustment, rising more than fivefold from 162.9 billion yen a year earlier. Economists polled by Dow Jones Newswires and the Nikkei had predicted the surplus would come in at 936.7 billion yen.

The current account measures trade in goods, services, tourism and investment. It is calculated by determining the difference between Japan's income from foreign sources against payments on foreign obligations and excludes net capital investment.

India full-year GDP growth seen at 7.2%

By Neelabh Chaturvedi And Mukesh Jagota

NEW DELHI—The Indian economy is expected to grow 7.2% in the fiscal year through March, the federal government said in its advance estimate, as a surge in manufacturing and a rebound in services blunt the impact of a drop in farm output.

While the rate of expansion would fall short of the average 9% growth clocked prior to the global financial crisis, the pace is quicker than the 6.7% increase in the previous financial year, firmly placing India as one of the fastest growing major economies in the world.

It still trails larger rival China, which grew 8.7% in 2009 and is well-poised to surpass Japan as the second-largest economy in the world this year.

The Reserve Bank of India has forecast the economy to grow 7.5% this fiscal year, although the government's estimate was in line with the median forecast in a Dow Jones Newswires poll of five economists.

"This looks like a realistic estimate, with some probability of an upside if we get good agriculture numbers in the March quarter," said Saugata Bhattacharya, senior vice president of business and economics research at Axis Bank.

Growth this year would be powered by manufacturing, which is expected to grow 8.9% from a year earlier as lower interest rates, cuts in factory levies and higher salaries for civil servants buoyed demand for automobiles, cement and steel.

However, output in the agriculture sector, which employs 60% of India's work force, is tipped to fall 0.2% as the worst rains in nearly four decades hurt the summer-sown crop.

The drop in farm output is less severe than many economists were predicting and was likely due to the late revival in monsoon rains, which are expected to boost the winter-sown crop, and an increase in allied agricultural activities.

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WORLD NEWS

Afghan official detained

District administrator allegedly informed Taliban about troops

By Habib Zahori
And Matthew Rosenberg

KABUL—Afghan authorities said Monday they had arrested a district administrator who was allegedly feeding information to the Taliban on movements of Afghan and coalition forces in a northern part of the country where insurgent attacks have increased over the past year.

The administrator, who goes by the single name Aminullah, was detained Thursday by Afghanistan's intelligence service, the National Security Directorate, said Abdul Ghani Sabery, deputy governor of northern Badghis province, where the arrest took place.

He is the second official arrested in the past week; a senior police officer was arrested on Sunday in central Afghanistan by North Atlantic Treaty Organization forces for allegedly aiding the Taliban.

Mr. Aminullah, chief of the Bala Murghab district in Badghis, was arrested because "both the provincial government and [NATO] forces had some information about Mr. Aminullah leaking information and intelligence to the insurgents and being involved in corruption," Mr. Sabery said.

U.S. and allied commanders have long suspected that many midlevel officials in Afghanistan aid the Taliban, although arrests have been infrequent until now.

Agence France-Presse/Getty Images

A U.S. Marine cleans his weapon at a base in Helmand province, Monday.

Both Afghan and international forces appear to be getting more aggressive as they push to reverse the Taliban's battlefield momentum.

Meanwhile, four soldiers from NATO's Afghanistan task force were killed in two separate attacks, officials said Monday.

A pair of British soldiers died when a roadside bomb hit their foot patrol in the southern province of Helmand, Britain's Defence Ministry said in a statement.

The deaths, which occurred Sunday brought the number of British soldiers killed in Afghanistan since 2001 to 255, matching the total casualties sustained in Britain's 1982 war with Argentina over the Falkland Islands.

Also on Sunday, two Swedish solders were killed in a gun battle that began when insurgents ambushed their patrol convoy near the city of Mazar-e-Sharif in northern Afghanistan, NATO forces said in a statement.

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Historic anniversary brings Iran questions to the fore

[Capital Journal]

By Gerald F. Seib

This is to be a week of testing on Iran: testing of the Iranian government, of the international will to oppose that government and of the delicate balancing act that is American policy.

The force bringing all these tests to the surface is the calendar. Feb. 11—Thursday—is a giant day in Iranian life, the anniversary of the 1979 revolution that brought the Islamic government to power.

The anniversary traditionally brings forth big marches of celebration. This year it almost certainly will call forth similarly big marches by those who have been protesting since last June's disputed presidential election.

For the U.S., the question this week is likely to bring to the surface is whether it's possible to sustain a policy that weaves together three disparate strands: engagement with the regime in Tehran, economic sanctions against that same regime and at least subtle support for those opposing that regime.

In anticipation, various actors in recent days have been moving to their spots on the international stage. In Tehran, President Mahmoud Ahmadinejad has been his usual erratic self, declaring one day that Iran was ready to abide by an agreement to send low-enriched uranium abroad for further processing under international safeguards, and then a few days later ordering his country's scientists to just do the processing themselves.

Meanwhile, at an international conference in Munich, Iran's foreign minister told the delegates that his country, which just hanged two of its citizens for protesting in the streets, is the most democratic in its region. That assertion, according to participants in the Munich conference, produced a surprisingly unified reproach from the assembled foreign leaders.

One sign of that unified reaction came Monday, when the U.S. and the European Union released a joint statement calling on Iran "to end its abuses against its own people [and] to hold accountable those who have committed the abuses."

So that is the backdrop. The week's first test is for Mr. Ahmadinejad and his government, which will have to decide how hard to bring down their iron fist against the "green movement" protesters when they take to the streets demanding change.

The Iranian government, even while occasionally seeking to sound reasonable in its messages to the rest of the world about its nuclear program, seems less and less concerned what outsiders think of how it cracks down on internal opposition.

In addition to the recent hanging of two protesters, for example, Iran said over the weekend that it had arrested seven people, including two it claimed were working for the Central Intelligence Agency, and accused them of planning unrest on Feb. 11.

The message seems clear: Iran's leaders don't intend to be tolerant this week. The odds are good for messy scenes in the streets of Tehran.

That would lead to the second test, of international unity in dealing with Iran. An American-led move at the United Nations Security Council to impose new sanctions on Iran is coming soon. While the drive for sanctions is nominally in response to Iranian intransigence to demands that it freeze its nuclear program, Iran's tactics in handling internal opposition undoubtedly will affect the climate.

The international alignment is becoming clear. The U.S. and its European allies are solidly behind new sanctions, Russia remains surprisingly open to them and China, despite some flutters of hope weeks ago, seems dug in against more action. At this crucial juncture, America's ability to persuade China otherwise is limited by an untimely rash of spats with Beijing over arms sales to Taiwan, Internet security and economic policies. The real test on this front, then, is whether U.S. allies can move China.

That leads to the final test—the test of America's Iran policy. President Barack Obama and his aides are trying to remain true, at least rhetorically, to his initial policy of openness to dialogue with Iran's Islamic regime. They calculate, correctly, that willingness to engage has, if nothing else, served to keep European allies aligned behind the U.S.

But increasingly the American policy is dominated by the search for sanctions. After this week, it's possible the conversation may be colored by the questions of whether and how the U.S. might productively show support for the opposition, and whether sanctions should be structured in a way that helps regime foes.

On that front, a lot has changed since Mr. Obama took office a year ago. It's now obvious to all that there is a meaningful opposition movement in Iran where there once was none. And that has opened the way for a new way of thinking about economic sanctions on Iran.

Before, the accepted wisdom was that sanctions should be structured to hurt Iran's leaders but not its people, lest economic pain compel the populace to rally around the regime. Now there's a distinct possibility that sanctions with a broad impact on Iran's economy will compel an already grumbling populace not to rally behind their leaders, but to grow more angry at them.

At a minimum, some Iranian opposition figures call for sanctions structured to hit hard at Iran's Revolutionary Guards, who make up Mr. Ahmadinejad's iron fist. Thus, two strands of policy—stopping the nuclear program and showing sympathy for the opposition—just might intertwine.

WORLD NEWS

Yanukovych declares Ukraine victory

Opposition leader's apparent win over prime minister could lead to court battle, though monitors say vote was fair

By James Marson And Richard Boudreaux

KIEV, Ukraine—Opposition leader Viktor Yanukovych won Ukraine's presidential election, near-complete returns showed Monday, although his opponent showed no sign of conceding defeat.

Mr. Yanukovych polled 48.7% of the ballots cast Sunday, to 45.8% for Prime Minister Yulia Tymoshenko. Mr. Yanukovych proclaimed victory.

But Ms. Tymoshenko didn't comment Monday, cancelling an afternoon news conference and closeting herself with aides. Her next move remains unclear, indicating Ukraine could be in for a protracted struggle in the courts. Before the election, she had threatened to call supporters onto the streets if there was evidence of fraud.

Associated Press

Yanukovych supporters rally outside the electoral commission in Kiev Monday.

International observers led by the Organization for Security and Cooperation in Europe judged the vote, in which nearly 70% of the electorate turned out, as free and fair, a sign this former Soviet republic of 46 million people is behaving more like a Western democracy.

"Yesterday's vote was an impressive display of democratic elections. For everyone in Ukraine, this election was a victory," João Soares, president of the OSCE parliamentary assembly said Monday.

The observer team called on both candidates to accept the results. "It is now time for the country's politicians to listen to the people's verdict and make sure that the transition of power is peaceful and constructive," Mr. Soares said.

If confirmed, Mr. Yanukovych's victory represents a remarkable comeback after his defeat in 2004, when mass protests, which became known as the Orange Revolution, overturned his disputed victory.

Then, Viktor Yushchenko won a court-ordered repeat ballot, and Ms. Tymoshenko, the fiery heroine of the protests, became prime minister. But Mr. Yushchenko's constant arguing with Ms. Tymoshenko, his government's lagging reforms and an economic contraction of 15% last year opened the way for Mr. Yanukovych's return.

Mr. Yanukovych has pledged to oust Ms. Tymoshenko from her post as prime minister. A protracted transition period would delay attempts to bring stability to the country's fragile economy.

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The Apple iPad's touch screen gets a hands-on test after its highly anticipated unveiling in San Francisco last month..

Associated Press

Chip firms hope for iPad boost

Apple's tablet, and the possibility of copycat devices, could lift already-optimistic full-year projections

By Yun-Hee Kim

HONG KONG—Among the questions still swirling around **Apple** Inc.'s new iPad is whether the tablet computing device will boost the memory-chip market this year as much as many in the industry hope.

If the iPad creates the buzz that the iPhone and iPod did several years ago, leading rival companies to launch similar products to compete, that could be a positive catalyst for the flash-memory chip market, which has been suffering from a steep downturn in consumer spending since the global financial crisis began in late 2008.

Semiconductor makers from **Samsung Electronics** Co. to **Toshiba** Corp. and **Micron Technology** Inc.—all suppliers to Apple—are optimistic about growth prospects this year.

For one, demand for memory chips is improving with the launch of new smart phones, tablet personal computers and electronic readers. Supply remains tight for the moment as the manufacturers have cut back on spending during the downturn.

NAND flash memory, the type of chips these companies make, is used to store data in electronic devices even when power is switched off, making them ideal for music players, digital cameras and smart phones.

Chip makers' path to recovery has been evident in the latest earnings reports and market watchers say the outlook is bright. Research firm iSuppli forecasts smartphone shipments this year will rise 32% to 239 million units from 181 million in 2009.

Samsung, the world's biggest maker of NAND flash memory chips by revenue, said it expects demand for mobile phones and other major applications to show a recovery this year after reporting that it swung to a fourth-quarter net profit of 3.05 trillion won ($2.6 billion).

"The overall supply/demand conditions should remain tight due to limited increase in supply, impacted by the cutback in capital expenditure from the previous two years," Robert Yi, vice president of Samsung's investor relations team, said on a conference call.

Toshiba, the world's second-biggest NAND chip producer, said last month its net loss for the three months ended Dec. 31 narrowed to 10.63 billion yen ($118.9 million) from 121.14 billion yen a year earlier, largely on the back of a recovery in its semiconductor business, which saw a profit of 4.7 billion yen.

"We don't expect any sharp decline in prices," Senior Executive Vice President Fumio Muraoka said at a news conference following the earnings.

Research firm Arete expects global NAND chip revenue to increase by 37% this year to $19.5 billion from $14.2 billion in 2009. NAND prices, meanwhile, are expected to decline by around 24%, compared with a 15% drop in 2009, according to the firm. "This is a very healthy market considering NAND prices had declined by around 60% annually prior to 2009," said Nam Hyung Kim, director of equity research at Arete.

Samsung says it expects its average selling prices for NAND flash to decline by a low-teens percentage in the traditionally slow first quarter, after an increase in the mid-single-digit percentage range in the fourth quarter. For the full year, it expects its average selling prices to decrease in the high 20% range.

The average spot price of the mainstream 16-gigbit NAND flash memory chip fetched $4.34 each early Monday, down from its mid-October peak of $5.99, but still up 25% from $3.47 a year earlier, according to online chip clearinghouse DRAMeXchange.

Mr. Kim said if Apple sells around five million 64-gigabyte iPads this year, that will represent about 3% of total NAND shipment this year. "It isn't a major increase in demand. However, similar 'me-too' products from other companies will boost NAND demand."

Officials at the chip makers declined to comment about the iPad's impact on the chip market.

But in a sign of confidence in market growth prospects, **Intel** Corp. and Micron unveiled a smaller, more dense flash memory product this month that could lead to more storage capacity on smart phones, media players and other electronics.

The flash memory—the first to use the more advanced 25-nanometer process technology—can hold eight gigabytes in a single NAND device that can fit through the hole in the middle of a compact disc. The new technology can cut manufacturing costs for chip makers.

Idaho-based Micron says it expects a healthy market this year with demand in balance with or slightly exceeding supply. The company plans to boost its capital spending in its fiscal year ending August to $750 million to $850 million from $630 million a year earlier.

Risks still remain for the manufacturers: The NAND chip market is heavily dependent on demand for consumer electronics so any decline in global economic conditions could damp sales. Supply could slowly increase again as companies earn more and raise capital expenditure to ramp up production after migrating to more advanced technologies.

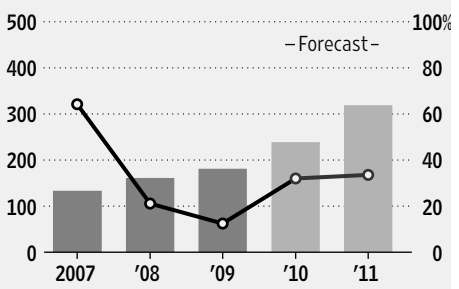
"Samsung will aggressively expand its memory-chip market share and increase the technology gap with its competitors with massive memory-chip investment," said Mr. Kim.

Samsung hasn't yet unveiled its total capital-spending budget for this year, but said it is planning more than 5.5 trillion won for its chip business.

Hynix, the world's third-largest NAND flash producer, expects its capital spending to more than double this year to 2.3 trillion won from 1 trillion won in 2009.

Rising tide

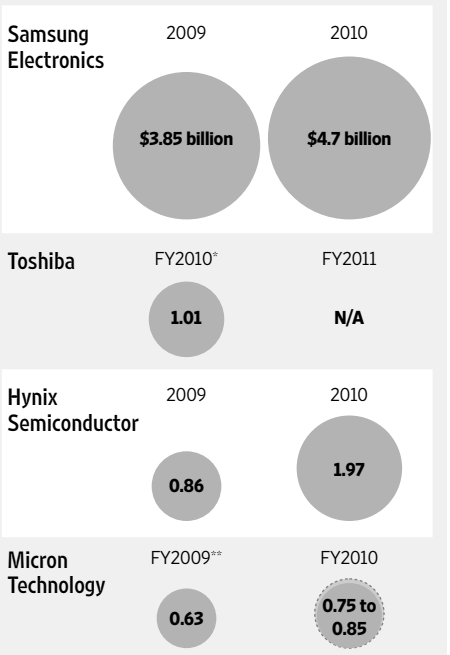
Global smart-phone shipment forecast, in millions of units (left axis) and in annual percentage growth (right axis)



Source: iSuppli

Great expectations

Capital expenditure for chips, in billions of U.S. dollars



* Fiscal years end March 31 of years shown.
** Fiscal years end August 31 of years shown.
Source: the companies

Laptops with much to offer core users

By Walter S. Mossberg

PERSONAL TECHNOLOGY

For all the talk about new tablet computers like **Apple**'s iPad, laptops remain the computer industry's bread and butter, and smaller laptops are especially popular with consumers.

So, I've been testing two diminutive laptops, both with 11-inch screens, that show how clever engineering can take a familiar device and customize it for particular audiences. These two machines couldn't be more different, and they are aimed at radically different customers. Neither is a bargain-priced netbook, but both were designed with compactness in mind.

One of these products is from **Dell**'s Alienware group, which specializes in potent computers for hard-core gamers. The device is called the M11x, and it came out last week at a base price of $799. It's an attempt to pack much of the power gamers typically tote around inside thicker, heavier laptops into a much more portable chassis. The M11x weighs about 4.4 pounds, which in the gaming world is svelte, and is about 1.3 inches thick.

The other machine I've been testing was released by **Sony** over the holiday shopping season with relatively little mass-market fanfare. It's called the Vaio X, starts at $1,299 and is easily the lightest laptop I've ever reviewed.

In fact, it's so light, at just 1.6 pounds, that at first I thought it must be a mock-up made of cardboard. The Vaio X is also just a tad over a half an inch thick. Its processor and graphics system are like a netbook's, so it can't come close to matching the Dell in performance.

But it isn't meant for the performance market. It's meant for highly mobile users who do typical computing, want to show off something sleek and can tolerate a high price and weak battery life in the standard configuration.

The M11x is a chunky box that, despite its size, is immediately recognizable as an Alienware product. The power button looks like a space alien's face, and, along with the keyboard and some other features on the front edge, it can be made to light up and pulse in a variety of bright colors.

Inside, it sports dual graphics systems—one powerful discrete graphics card for heavy-duty gaming, and one lesser integrated card for other tasks or when you want to save battery life. You can switch between them quickly, without rebooting.

I am not a serious gamer, but I briefly tested the M11x on some included 3D games, and they ran smoothly and well. The machine also did great on high-definition video and on common tasks like Web browsing, email and word processing. It's also packed with ports, including an HDMI connector, the new standard for easy hookup to a TV.

On my tough battery test, the Alienware did pretty well, clocking in at just under four hours with the more potent graphics in use, and just under five hours with the lesser graphics turned on. In normal usage patterns, you could stretch these figures.

The downsides to this machine are that the keyboard is cramped, and the specs on the $799 base model might not satisfy a serious gamer or video creator. It has a relatively small 160-gigabyte hard disk and a low-end Pentium processor. The model I tested, with a 500-gigabyte hard disk, a Core 2 Duo processor and twice the base 2 gigabytes of memory, costs $1,099.

The Sony Vaio X is a world apart, a reminder that the company, which years ago pioneered small, thin, costly laptops, can keep doing so. This little computer can get lost in your briefcase.

The Vaio X comes in several colors, but has modest specs for the price. It uses the Intel Atom processor, common in netbooks, and integrated graphics. It only comes with 2 gigabytes of memory, and the base $1,299 model has a very small 64-gigabyte solid-state drive for storage. You can double the storage on the $1,499 model I tested.

The Sony is gorgeous, and its lightness amazed everyone to whom I showed it. It handled all the common tasks I threw at it, including some HD video from YouTube, which played fine. But it also has a cramped keyboard, plus a tiny touch pad.

In addition to Wi-Fi, the Sony also includes a 3G cellular modem from Verizon, which I tested and which worked well.

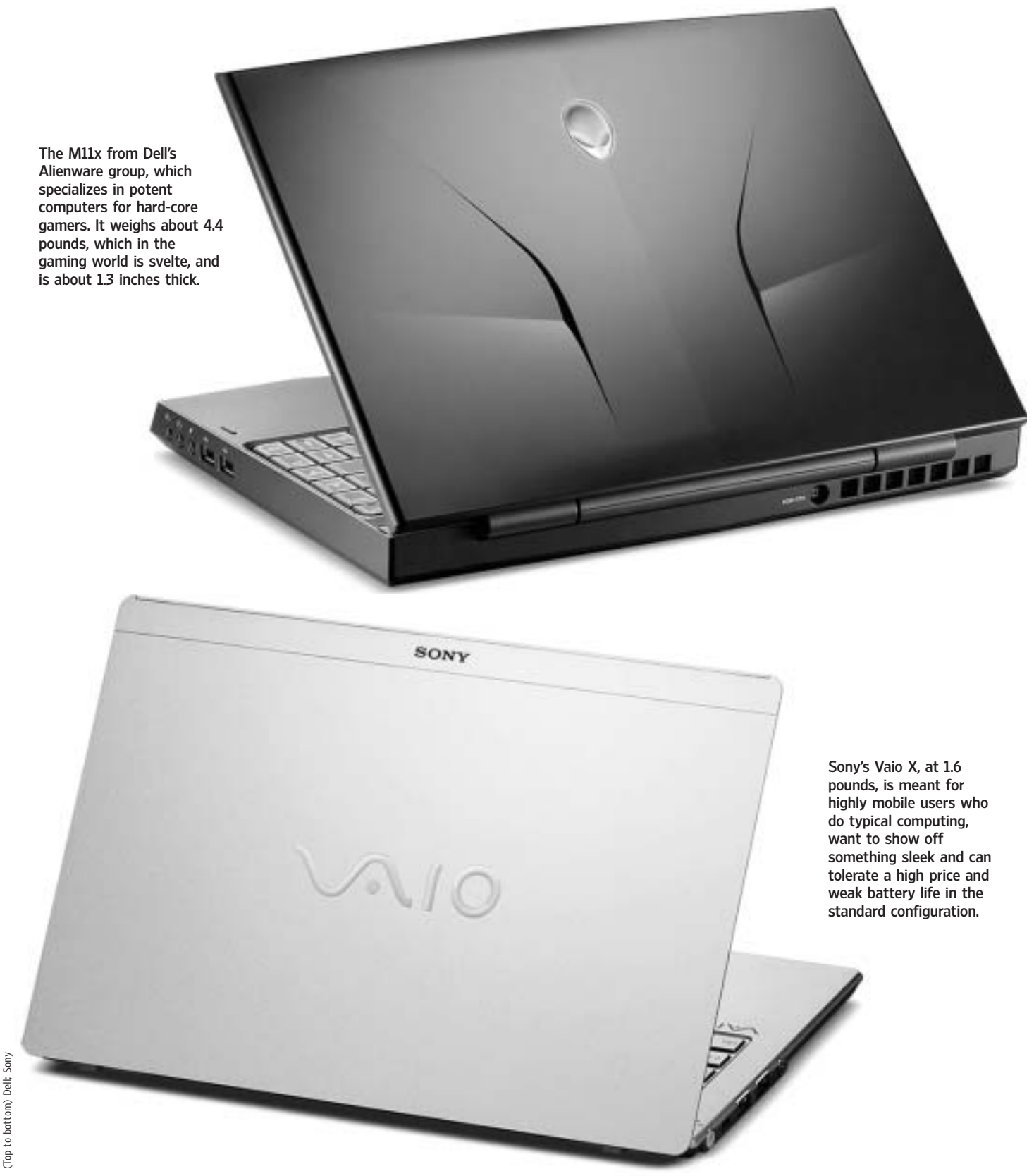
The Achilles' heel of the Sony is battery life. Its petite built-in battery got a miserable one hour and 48 minutes in my test, which might mean 2.5 hours in normal use.

Sony does include an expanded battery with the unit, which got an impressive eight hours and 11 minutes in my test, or perhaps as much as 10 in typical use.

But this battery is huge. It covers the entire bottom of the machine and must be affixed with screws. The battery roughly triples the computer's thickness and brings its weight to nearly three pounds.

These two creative designs show that, despite the coming wave of tablets, the laptop is still a platform for innovation.

Email mossberg@wsj.com.



The M11x from Dell's Alienware group, which specializes in potent computers for hard-core gamers. It weighs about 4.4 pounds, which in the gaming world is svelte, and is about 1.3 inches thick.

Sony's Vaio X, at 1.6 pounds, is meant for highly mobile users who do typical computing, want to show off something sleek and can tolerate a high price and weak battery life in the standard configuration.

(Top to bottom) Dell; Sony

Bazaar: Hong Kong

What they're buying at Asia's gadget emporiums

Lenovo

The place Let's Go Computer, 2/F Wanchai Computer Center, Wanchai

The goods Lenovo Mini Wireless Keyboard N5901

The specs This wireless keyboard and mouse combo fits in the palm of your hand—a particularly useful gadget for home-theater PC users tired of handling multimedia functions with a full-size QWERTY device. The included USB-connecting dongle allows control from a distance of up to 12 meters, so watching videos, listening to music and Web browsing on a living room PC can be done with one hand from the comfort of a couch. No need to point at a sensor, either—it works on the 2.4-gigahertz radio band, just like many cordless phones and wireless networks.

The price 499 Hong Kong dollars (US$64)

The deal The salesman at Let's Go refused to play ball on price, which we took to heart since the shop has proven flexible in the past. The N5901 is available on Lenovo's online shop for $60, but as it's a North America-only release, the shop deal is likely the best. Online auctions aren't any better, especially after shipping costs.

—Miguel Gonzalez Jr.

CAREER JOURNAL

Poaching from recession-weary rivals

As economy stabilizes in U.S., smaller firms woo competitors' best performers; noncompete contracts spark suits

By Dana Mattioli

The poaching of top talent among rival companies seems to be making a comeback.

As the economy stabilizes, some firms are taking the opportunity to nab stars from competitors whose best performers feel frustrated following months of recession, recruiters and employment lawyers say.

Poaching is up at financial-services firms in particular, as pay restrictions at companies receiving U.S. government assistance have made it easier for unrestricted firms to woo hires, recruiters say.

Other industries seeing more poaching include technology, entertainment and marketing, according to Matthew Walden, vice president of New York recruiting firm **Infinity Consulting Solutions** Inc.

In many cases, smaller firms are hiring employees away from their larger rivals.

David Adamo, chief executive of mortgage banker **Luxury Mortgage** Corp., a 125-employee firm in Stamford, Conn., says he has recruited about 60 senior mortgage bankers in the past six months.

Luxury Mortgage

Luxury Mortgage CEO David Adamo, center, says he has recruited about 60 senior mortgage bankers in the last six months, many from bigger rival banks.

Most of his recruits were already employed and many defected from bigger banks that, unlike Luxury Mortgage, had taken government funding, Mr. Adamo says.

"We can structure compensation plans that significantly exceed what can be paid by banks," he says.

Mr. Adamo hired a five-banker team from a large bank in November, arguing that they'd enjoy more autonomy at a smaller firm. "There have been producers we've brought onboard producing millions of dollars in loan volume in their first 30 days," he says.

Highlighting advantages

Robert W. Baird & Co., a 2,400-employee Milwaukee-based investment bank, hired 70 executives at the director to senior vice president level during 2009, many from rivals, and "significantly more" than in 2008, says Managing Director Robert Venable.

Big-bank recruits' frustration at increased government regulation made those hires easier, he says.

Baird wooed Ghansham Panjabi, a senior analyst covering containers and packaging, from **Wells Fargo** & Co.'s Wachovia Capital Markets last year. Wells Fargo declined to comment.

Mr. Venable says he was attracted to Mr. Panjabi's client relationships; some clients they knew mutually had suggested Mr. Venable hire him.

Mr. Panjabi says he entertained offers from other banks but liked that Baird was private. "Being a private company was a huge advantage because of pay scrutiny a lot of firms are going through," he says.

In November, Baird also hired an executive from Morgan Stanley Smith Barney to be chief operating officer of Baird's biggest business, private wealth management.

Morgan Stanley Smith Barney, a joint venture of Morgan Stanley and Citigroup Inc., declined to comment.

While hiring overall remains slow, it has inched up since hitting a low in May and June, according to Bureau of Labor Statistics data.

And a Towers Watson study found that 70% of more than 300 companies surveyed in October were very or somewhat concerned about losing key talent as a result of the cutbacks made during the recession, compared with 62% in January 2009.

Moving on

Ashley Morris, chief executive of **Capriotti's Sandwich Shop** Inc., a 60-store chain, nabbed an executive from a larger sandwich chain as his chief operating officer in August. He hired Patrick Walls, a chief franchise officer and 12-year veteran of **McAlister's Deli,** which has 290 restaurants in the U.S.

At Capriotti's, Mr. Walls is in talks to sign a new franchisee who plans to open 25 stores, says Mr. Morris.

"It's a tough market and to see a chain that was growing like Capriotti's did, made it very attractive," says Mr. Walls.

McAlister's declined to comment on Mr. Walls's exit.

Legal matters

Some of the moves have prompted lawsuits, many due to the proliferation of noncompete contracts during the recession, when some employers convinced a wider range of employees to sign agreements restricting their ability to jump ship.

In one high-profile suit last year, investment bank **UBS** AG sued rival **Jefferies** & Co., accusing it of levying a "massive, premeditated raid" of about three dozen key members of its global health-care investment banking group.

UBS also sued Benjamin Lorello, former head of UBS's health-care group, and former UBS managing director Sage Kelly, alleging their employment contracts required they wait a certain period after their notice of resignation before soliciting employees or clients of UBS.

UBS delayed the two men's starts; in July the case settled for an undisclosed amount.

Jefferies CEO Richard Handler declined to comment on the case and wouldn't provide specifics on the settlement in the suits against Messrs. Lorello and Kelly, but said his health-care team is "one of the strongest global franchises in health care."

A UBS spokeswoman said, "We are pleased that the matter has been resolved amicably."

Career Opportunities

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Prosecutor, Charge Thyself

With his fraud lawsuit last week against Bank of America, New York Attorney General Andrew Cuomo has joined the long queue of politicians blaming bankers as the chief culprits in creating the financial panic and recession. We dealt with the merits of those BofA charges yesterday, but that isn't the end of this story. There's also the not so small matter of Mr. Cuomo's own role in promoting policies that fed the housing mania and set the stage for the meltdown.

Before he pursued statewide office in New York, Andrew Cuomo was Secretary of Housing and Urban Development during Bill Clinton's second term. And lest you think his tenure is forgotten, the HUD Web site has an instructive item in its Archives section.

Entitled, "Highlights of HUD Accomplishments 1997-1999," the document chronicles the "accomplishments under the leadership of Secretary Andrew Cuomo, who took office in January 1997."

HUD's Web visitors learn that in 1999 "Secretary Cuomo established new Affordable Housing Goals requiring Fannie Mae and Freddie Mac—two government sponsored enterprises involved in housing finance—to buy $2.4 trillion in mortgages in the next 10 years. This will mean new affordable housing for about 28.1 million low- and moderate-income families. The historic action raised the required percentage of mortgage loans for low- and moderate-income families that the companies must buy from the current 42 percent of their total purchases to a new high of 50 percent—a 19 percent increase—in the year 2001."

It's a sign of Washington's continuing failure to examine its own failures that HUD still views such a policy as an "accomplishment." It's as if the Pentagon described Pearl Harbor as a victory.

> Andrew Cuomo has more to answer for than does Bank of America.

We know that in the wake of Mr. Cuomo's agitation, Fannie and Freddie's purchases of subprime loans skyrocketed. Subprime and "liar" loans became loss leaders that eventually caused the two mortgage giants to fail—with taxpayers so far on the hook for $111 billion in losses and perhaps hundreds of billions more to come.

The problem wasn't merely that HUD under Mr. Cuomo was raising the volume of risky loans for which taxpayers were guaranteeing. HUD was also encouraging a dangerous decline in underwriting standards at these government-sponsored enterprises (GSEs). Says former Fannie Mae chief credit officer Edward Pinto, "HUD commissioned much research aimed at forcing the adoption of more flexible lending standards by the GSEs."

In 1999, the Urban Institute published a HUD-commissioned study of Fannie and Freddie's credit guidelines. Among its findings: "Almost all the informants said their opinion of the GSEs has changed for the better since both Fannie Mae and Freddie Mac made substantive alterations to their guidelines and developed new affordable loan products with more flexible underwriting guidelines."

Keep in mind that Mr. Cuomo was doing this Fan and Fred cheerleading even as his colleagues in the Clinton Treasury were publicly raising red flags about their too-rapid expansion. Had Larry Summers, who was then Treasury Secretary, and Republican Paul Ryan, prevailed in their reform attempts, Fan and Fred wouldn't have been able to pile up so much rotten debt and turbocharge the housing boom.

In 2008, Wayne Barrett wrote in detail in the Village Voice about the changes Mr. Cuomo also wrought at the Federal Housing Administration, encouraging bigger loans with smaller down payments.

Mr. Barrett wrote that Mr. Cuomo "made a series of decisions between 1997 and 2001 that gave birth to the country's current crisis. He took actions that—in combination with many other factors—helped plunge Fannie and Freddie into the subprime markets without putting in place the means to monitor their increasingly risky investments. He turned the Federal Housing Administration mortgage program into a sweetheart lender with sky-high loan ceilings and no money down . . . ."

Mr. Barrett summed up Mr. Cuomo's tenure in the Clinton cabinet by noting that "the country will be living with his HUD mistakes, ill- or well-intended, for a long time to come."

Even if one believes the allegations hurled by the New York Attorney General at Bank of America—and there is much reason to doubt them—Mr. Cuomo has arguably done far more harm to taxpayers and investors than the defendants have. Before he is handed the New York governorship by Democratic and media acclamation, voters deserve a full accounting of Mr. Cuomo's complicity in the mortgage meltdown.

Hong Kong's Political Lessons

The Hong Kong government won a victory in the courts last Wednesday, upholding a law that will erode the ability of private institutions to completely control schools that receive public funding. The biggest loser here is the Catholic Church, which has ably educated much of the territory's elite. It has also been one of the government's biggest critics in recent years. That has raised suspicions that Hong Kong is playing politics with education and undermining the civil society that is an integral part of the way of life guaranteed under the Basic Law.

The law requires all "aided" schools in Hong Kong to set up incorporated management committees that would give 40% representation to teachers and parents. Rather than having to attract their own students, aided schools are assigned students by the government, receive a significant amount of public support to offer tuition free of charge and are run by outside sponsoring bodies, most of which have religious affiliations. Out of 1,150 day schools in Hong Kong, 850 are categorized as aided schools.

It remains a puzzle why the government insists on creating these bodies when most such schools already have parent-teacher organizations that contribute indirectly to the administration of the school. Perhaps the answer lies in examining the sponsoring bodies of the more prestigious aided schools. Schools run by the Catholic Church have always been highly regarded among Hong Kong parents who fight to enroll their children in the 180 aided schools run by the local diocese. Among their alumni network are numerous social, economic and political leaders including Chief Executive Donald Tsang and Secretary for Education Michael Suen.

Cardinal Joseph Zen, who retired last year as head of the Hong Kong diocese, has been an outspoken advocate for civil liberties and democratization, for instance calling Catholics onto the streets for the July 1, 2003 march that eventually brought down the government of then Chief Executive Tung Chee Hwa. He has also criticized mainland China's refusal to allow Catholics to recognize the Pope.

Mr. Tsang might want to consider what happened to his predecessor's efforts to use education to score points with Beijing. Mr. Tung forced schools to stop teaching in English in favor of Cantonese, a move that was so unpopular that it was effectively repealed last month. Undermining the institutions that have served Hong Kong well for generations in order to take a swipe at critics won't win supporters for a government whose popularity rating approaches depths last seen under the hapless Mr. Tung.

Trading Barbs with China

President Obama pledged during his State of the Union address to double America's exports over the next five years. Just don't mention that to chicken farmers, who are now bumping up against an unintended consequence of Mr. Obama's trade policy.

China's Ministry of Commerce on Friday proposed antidumping duties of between 43% and 106% on imports of American poultry. Although Beijing claims the U.S. illegally sells chicken feet in China at a price less than the cost of production, this is really a political case. The step is widely viewed as retaliation for the 35% "safeguard" tariffs Mr. Obama imposed on Chinese tires in September. China launched its antidumping investigation days after the tire tariffs were announced.

The domestic pressure for Beijing to act was already high in light of many other cases of U.S. protectionism. Chinese poultry producers have long been angry with the U.S. over barriers to cooked-chicken imports inspired by spurious safety concerns, and they filed a suit at the World Trade Organization. Pressure from other quarters is mounting as Washington piles up antidumping duties on other Chinese products, whether it's $2.6 billion worth of steel pipe or, also last week, $33 million of ribbon used for wrapping gifts.

> Of tires, chickens and unintended consequences.

Seen in this light, it hardly matters that the technical merits of China's chicken case are questionable. Far from dumping, U.S. companies are able to sell chicken feet at a dramatic mark-up in China, where they're a delicacy, as compared to the U.S., where most consumers spurn them. It seems more likely that Beijing tinkered with its estimates of the cost of producing chicken feet to generate a sufficiently punitive duty rate. U.S. poultry exports worth at least $677 million as of 2008 are caught in the crossfire of a bigger trans-Pacific trade spat.

These duties will be as bad for Chinese consumers who face higher prices on imports as they are for U.S. exporters. Beijing took a far smarter course last week in a different trade dispute: It sued the European Union at the WTO contesting the EU's 16.5% antidumping duties on Chinese shoes. China has a good chance to prevail, and if it does it could force Brussels to re-evaluate how it weighs dumping allegations. That would be good both for Chinese shoe manufacturers and European consumers.

As foolish as China's chicken duties are, they at least offer a useful lesson in the U.S. Mr. Obama has often highlighted the virtues of "trade enforcement" such as antidumping cases, including in his State of the Union. The problem is that the U.S. isn't the only country that can play this game and the danger of tit-for-tat retaliation is real. Measures meant to burn China's tire industry have ended up roasting American chicken producers.

OPINION

Quantifying Hong Kong's Democratic Desires

By Alan Leong

The Hong Kong people have craved elections by universal and equal suffrage for over a quarter of a century now, but members of our government are still not democratically elected. Through the resignation of five democratic legislators, including myself, we are bringing about by-elections in which Hong Kong people will be asked to vote on one crucial question—whether to implement real universal suffrage and to abolish functional constituencies. In this way, support for real universal suffrage can be quantified and will become a moral authority that the vested interests cannot ignore.

A legislative by-election will give the territory's residents the referendum Beijing wants to deny them.

When Zhao Ziyang and Margaret Thatcher signed the Sino-British Joint Declaration in 1984 to return the British colony to Chinese sovereignty, a movement to democratize Hong Kong's political system also began. Policies in that 1984 Joint Declaration later became stipulations in the Hong Kong Basic Law, with articles 45 and 68 stating that our chief executive and Legislative Council will ultimately be elected by universal suffrage.

But Hong Kong has now been a Special Administrative Region of China for more than 12 years, and little progress has been made toward that goal. Political power is dominated by the trades, industries and businesses in a system where they are guaranteed the final say without having to engage other political forces and stakeholders in the civil society in an open competition. This is the case because they control the majority of the 800-member election committee charged with selecting the chief executive, as well as the majority of the 30 functional constituency seats in the 60-member Legislative Council. The other half of the Council is elected by universal suffrage.

These functional constituency seats were first introduced by the British in 1985 as a transition toward universal suffrage. The present size of the electorate is slightly more than 220,000 individuals, corporations and organizations, compared to the 3.4 million registered voters in the geographical constituencies. The transition was thought to be necessary because businessmen and professionals were too shy to publicly lobby for votes, and the government did not want the legislature to lack the professional sector's input. Unfortunately, most functional constituency members have lost that dimension of deliberating on public policies with the whole of Hong Kong in mind.

The power of the business elite is further enhanced by another unusual provision of the Basic Law: For a member's motion to be carried, it must receive majority support in both of the two halves of the Legislative Council. Thus the tycoons can consistently veto public policies they have assessed not to be to their advantage.

Associated Press

Give us universal suffrage.

Since reunification with China, leaders in Beijing have been imposing undue obstacles to stifle democratic development in Hong Kong. In 2004, the Standing Committee of the National People's Congress interpreted the Basic Law in such a way that ruled out universal suffrage in the years 2007 and 2008, respectively, for election of the Chief Executive and all members of the Legislative Council. When the Hong Kong people thought that they would have it the next time around in 2012, Beijing again struck down that dream on Dec. 29, 2007.

In November 2009, the Hong Kong government recognized in a publication, "Methods for Selecting the Chief Executive and for Forming the Legislative Council in 2012," that functional constituencies were not in compliance with international standards of universal and equal suffrage. But the government made no proposal for their abolition. Instead, what is currently on offer is an illusory timetable, and not a binding promise that, at the earliest, the chief executive would be elected by universal suffrage in 2017 and the Legislative Council members in 2020.

Functional constituencies are the root cause of many biased public policies. And those who have been enjoying their political free lunch do not want to give up their unfairly obtained privileges. We have before us a deadlock which the government is not willing to break. In many democratic systems of government, when an unbreakable deadlock has developed over an issue of vital interest, the solution is to go directly to the people, either by a referendum or general election. In Hong Kong, we can do neither.

To scientifically and objectively quantify the populace's support for universal suffrage, five legislators in the democratic camp resigned from office on Jan. 29 to trigger territory-wide by-elections in all five geographical constituencies. In the by-elections, voters can vote for candidates fielded by the democrats to indicate that they are answering the crucial question in the affirmative.

We call this the "Five District Referendum Movement." It is a referendum for democracy in Hong Kong. It is a movement to let the Hong Kong people once again feel empowered. With a clear quantification of the people's support for universal suffrage, we hope to see universal suffrage without further delay.

Future generations shall look back and remember this as the moment when the tide of democracy once again overcame the stone wall blocking its progress. Everyone who walks into the voting booth can come out with their heads held high, having done all that we can to make our voices heard. This is what Hong Kong stands for in 21st-century China.

Mr. Leong is the vice chairman of Hong Kong's Civic Party and was a member of the Legislative Council from 2004 to January 2010.

India Supports a Toothless IPCC

By Barun S. Mitra

Prime Minister Manmohan Singh expressed support for the United Nations' Intergovernmental Panel on Climate Change and its leader, Rajendra Pachauri, at a local energy conference in New Delhi Friday. The move has surprised many observers, but it may prove to be politically astute.

The IPCC's credibility is in tatters. From climategate to glaciergate, Amazongate, natural-disaster gate, and now Chinagate, the revelations of bad science keep coming. Given all that, plus the much-publicized flap between Environment Minister Jairam Ramesh and Mr. Pachauri over the science behind "melting" Himalayan glaciers weeks before the Copenhagen climate summit in December, superficially one might have expected the Indian government to jettison Mr. Pachauri as soon as possible.

But Delhi isn't just offering him and the organization rhetorical backing. At Friday's annual flagship event of the Energy and Resources Institute—which Mr. Pachauri has headed for almost 30 years—the prime minister offered to provide technical assistance through a newly established glacier research center. The government has also formed a network of scientific institutions to develop domestic science and research capacities on climate issues.

The explanation for this support is simple: It is in the Indian government's interest to perpetuate a weak IPCC and a toothless Mr. Pachauri at its helm. Given the recent scandals, the IPCC is hardly in a position to lobby India for carbon concessions. No one from the IPCC can again cavalierly dismiss their critics as promoting "voodoo" science or "vested interests," as was Mr. Pachauri's wont. By offering scientific support to the IPCC, the Indian government is actually confirming its lack of confidence in the U.N. body's scientific credentials.

Mr. Pachauri is now in his second term as the head of IPCC. He is not a climate scientist—or indeed a scientist at all. He is an able science administrator who built his institute from scratch. Influential governments in the rich world probably accepted Mr. Pachauri not just for his redoubtable skill in institution-building, but also in the hope that by placing an Indian like him at the head of IPCC, he might be able to influence Indian policy.

The less credibility the climate body has, the less it can do to block vital economic development.

That's important because after all, if countries like China and India do not subscribe to any commitment to reducing emissions, developed countries' best efforts will not have any significant impact. Having bought the idea of man-made global warming, rich countries had to try and ensure that developing countries fell in line.

But in democratic India no leader can afford to ignore the developmental aspirations of the people. Even if some Indian elites want to sell the future of the country by agreeing to some form of restrictions on energy usage—and thus on economic growth—in the fiercely competitive world of Indian politics they stand no chance.

The IPCC was created as a way to make the world, particularly the poor, fall in line and support expensive climate-change initiatives by overwhelming them with the apparent authority of the world's leading technical body on the subject, backed by a supposed scientific consensus. This attempt was doomed to fail, because scientific inquiry does not respect consensus, and orthodoxy is anathema to scientific progress.

There is some poetic justice in this whole drama. Countries like India that were always apprehensive of institutions like the IPCC now prefer to keep it twisting in the wind. The rich countries that gave birth to the idea of the IPCC cannot afford to disown it without exposing their own underlying design. They could try to replace its head, in the hope that the new face might be able to rebuild the credibility of the institution. But having tasted blood, there is no reason why India and China should let the current advantage pass so easily.

The IPCC has been checkmated, as have so many other U.N. institutions before it. This is the inevitable consequence of the desire for global government under the misguided belief that ordinary people do not know what is in their own interest. With the deepening of democratic ideals, people power can no longer be overturned so easily. The failure of the IPCC shows that sovereignty still lies with the people, not with the aspirants for global government.

Mr. Mitra is director of the Liberty Institute, an independent think tank in New Delhi.

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OPINION

China's 8,000 Credit Risks

By Victor Shih

As the world struggles to recover from the most severe economic slowdown in a generation, China seemingly has accomplished a miracle. Growth registered at almost 9% last year, yet the government debt-to-GDP ratio still stood around a modest 20% as of December 31. Has China enjoyed the proverbial free lunch?

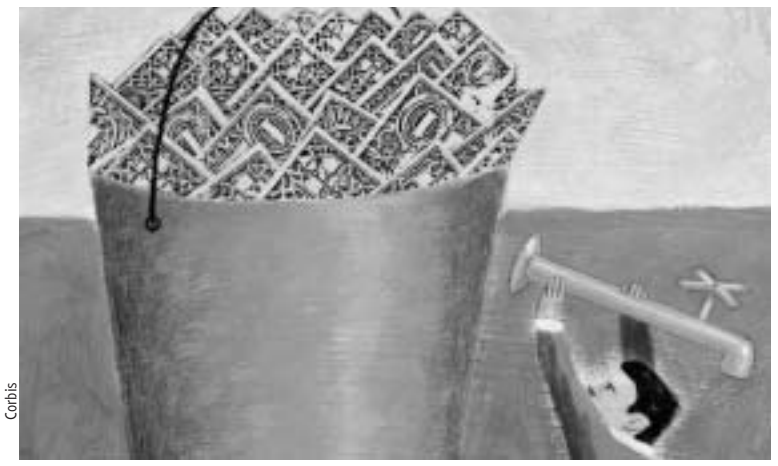
Far from it: The Chinese government has financed much of an enormous stimulus package through thousands of investment entities created by local governments. If Beijing doesn't soon recognize this problem and put a stop to it, banks in China, which have provided the bulk of the funding, may soon face delinquent loans that rival even China's enormous fiscal and foreign-exchange capacity.

After Beijing announced a $588 billion stimulus package in late 2008, local governments enthusiastically rolled out plans to invest more than $4 trillion over the following few years. These were far from idle pipe dreams. The central authorities permitted and even encouraged local governments to borrow heavily from banks to finance infrastructure projects. Because Chinese law forbids banks from lending directly to government institutions, these governments set up some 8,000 investment companies, according to official figures. Banks lending to these entities class the outlays as "enterprise loans."

Beijing is no longer sure how much money local investment entities have borrowed from banks and raised from bond and equity investors. The amount, however, must be large. In September, the Chinese press, citing government sources, suggested that these entities have borrowed $880 billion. In a January interview with the Twentieth Century Business Herald, a Chinese newspaper, the vice chairman of the Finance and Economic Committee of the National People's Congress, Yi Zhongliu, revealed that local investment entities borrowed some $735 billion in 2009 alone.

These are mere guesses, however. A National Audit Agency audit conducted late last year uncovered so many problems with the data that Premier Wen Jiabao ordered another large-scale audit of local investment entities. Until a thorough audit is completed and the results announced to the public, no one really knows the total scale of local borrowing.

To obtain an independent estimate, I collected data from thousands of sources, including regulatory filings, bond-rating reports and press releases of government-bank cooperative agreements. I estimate local investment entities' borrowing between 2004 and the end of 2009 totals some $1.6 trillion. The data are far from perfect because borrowing by low-level government entities and lending by small banks are difficult to track. Nonetheless, my evidence suggests that the scale of the problem is much larger than previous government estimates. At $1.6 trillion, the local debt is roughly one-third of China's 2009 GDP and 70% of its foreign-exchange reserves.



Corbis

Although local budgets are limited, regional governments can sell land to raise money to pay interest and ultimately principal. Indeed, local authorities across the country sold land worth $233 billion in 2009, benefiting from the real-estate upsurge in the second half of the year. For local investment vehicles to fully repay interest and debt through the sale of land, however, the real-estate boom must continue for years to come, sustaining high demand for land. Worse, banks have already pledged more than a trillion dollars in additional credit lines to local investment entities. If the central government does not restrict bank lending to them, these entities will go deeper into debt, thus either requiring the sale of much more land or the creation of a pile of nonperforming loans.

The central government is already ordering banks to slow lending to local investment vehicles. However, stronger actions are needed to forestall disaster. First, the government needs to order banks to stop lending to all new or newly started investment projects undertaken by local entities. This also would slow the overall amount of lending and constrain rising inflation. Second, since county governments are in the poorest fiscal shape and have the least ability to repay banks, the central government should take over the debt of almost all of the county-level investment vehicles. Although this will increase China's debt-to-GDP ratio significantly, the total would still be low by international standards.

A sudden contraction of lending to local investment vehicles will generate a wave of nonperforming loans, but a greater reliance on market mechanisms can easily solve this problem over the next few years. First, banks will fully recover the debt of the healthiest local entities, which may account for half of total local debt. For the remainder, the government needs to allow banks to directly sell subprime or distressed loans to both foreign and domestic investors. Beijing need not fear that China's listed banks will sell their nonperforming loans at below-market prices, as these banks report to shareholders. Banks, in conjunction with investment banks and distressed-asset investors, should also explore ways to securitize local debt for sale to both domestic and international investors. The latter in particular would have a healthy appetite for yuan-denominated security, anticipating a currency revaluation soon.

Beijing's mantra of "reform and opening" rings increasingly hollow in recent years as a larger share of financial resources is poured into the state sector. However, a timely, bold and market-oriented intervention to resolve the local-debt problem would once again put China on a path of reform.

Mr. Shih is assistant professor of political science at Northwestern University and the author of "Factions and Finance in China: Elite Conflict and Inflation" (Cambridge University Press, 2008).

Toward a Different Fiscal Future for America

By R. Glenn Hubbard

Moody's Investors Service's warning last week that the AAA credit rating of the United States is in jeopardy raises fresh concern about the nation's fiscal health. The question to ask about the president's eye-popping budget, also rolled out last week, is whether it prepares the country for its future—or shackles it to past decisions that our leaders would rather not confront.

President Obama's blueprint gave us a federal budget deficit for fiscal year 2010 of $1.6 trillion, about 10.6% of GDP. While one expects bigger budget deficits in a downturn, the administration expects the deficit and debt buildup to persist. By 2013, it forecasts that deficits will bring about a debt-to-GDP ratio of 72%, unprecedented in U.S. experience except during a major war.

The problem is spending. The new budget proposes more spending—1.8% of GDP for 2011 to be precise—and a higher level, roughly one percentage point of GDP higher, in subsequent years.

Debates about the budget traditionally revolve around these numbers. There is another way to look at the federal budget, however, and that is to focus on its effect on economic health, not just the government's fiscal health. Focusing on economic health means setting our sights on productivity growth—our future living standards.

To understand what this means, consider the famous "kitchen debates" between Soviet President Nikita Khruschev and Vice President Richard Nixon in 1959 about the merits of capitalism and socialism. Nixon famously pointed to color television as a milestone in American innovation. The Soviet leader replied by trumpeting his nation's lead in rocket thrust. The issue resurfaced in the televised 1960 presidential debates, when Sen. John F. Kennedy attacked Nixon for wanting to lead a nation No. 1 in color TV, but not in rockets.

Nixon's response was essentially nothing. But the correct response was obvious: The nation with the higher present and future productivity growth—the U.S.—could lead in both color TV and rockets.

Today America's productivity growth is imperiled by the anti-investment tilt of the president's budget plan for escalating federal debt. Even conservative estimates of effects of federal debt on interest rates suggest that the last Obama budget blueprint would lead to a one-percentage-point rise in Treasury interest rates as the economic recovery takes hold. The consequence—lower business investment and real GDP 4% lower than it would otherwise be by the next presidential election—compromises our future.

But there is more bad news. The Congressional Budget Office (CBO) estimates that, without policy changes, by 2050 spending on Social Security, Medicare and Medicaid alone would be 10 percentage points of GDP more than today. Total federal spending would exceed 30% of GDP. ObamaCare would only exacerbate the problem. This means government spending for national defense, education, research and other priorities would be dramatically constrained.

Tax increases cannot plausibly make these problems go away. If taxes were increased sufficiently to accommodate the CBO's projected increase in entitlement spending, long-term U.S. GDP growth rates would be reduced between a half and a full percentage point (an estimate derived from widely cited research by Eric Engen of the Federal Reserve and Jonathan Skinner of Dartmouth). This would be equivalent to erasing all the "growth dividend" gains of the great productivity boom of the 1990s.

Tax increases can't plausibly address the coming entitlement crisis.

There is a better way forward. In the present economic situation, attempting to reduce the deficit drastically could spell another economic contraction. One can even make cogent arguments for cutting taxes on business investment and corporate profits, given the importance of an improved investment climate for the recovery.

Rather, the president and the Congress need to present a credible path toward lower deficits and more effective government. Such a plan should have three elements.

First, introduce specific targets for reducing discretionary spending. The administration has set too easy a goal for a putative President's Fiscal Commission, likely requiring deficit reduction of only 1% of GDP by 2015, to stabilize the debt-to-GDP ratio at more than 70%. But this level is even higher than in 1950, when we were paying off debt from World War II.

The discretionary spending binge in both the Bush and Obama years offers many opportunities for further cuts. Indeed, holding growth in the nondefense discretionary spending to 2% per year, well under present levels, is achievable and would free up funds for our future priorities.

Second, slow the growth of entitlement spending on Social Security and Medicare. A good way would be to shave 1% per year from projected entitlement growth.

It is possible to do so progressively, lowering the growth in benefits for middle- and upper-income households, while strengthening support for lower-income households. Expanded saving incentives and health saving accounts can be used to help more affluent households prepare for retirement. Taken together, these changes offer the greatest chance for reducing long-term spending while holding fast to government's legitimate social insurance role.

Third, if the administration wants to maintain the spending path on which its budget blueprint places us, it must confront and propose significant, broad-based tax increases. Let's be clear what this means.

Our present income tax already relies very heavily on revenue from high earners; the top 1% pay well over one-third of federal income taxes. Mr. Obama's budget increases the reliance. But we cannot count "taxes on the rich" for deficit reduction, health-care expansion and funding entitlements while ignoring the effect of those tax increases on investment, innovation and growth.

To raise the revenue for the president's welfare-state ambitions, the tax increases must necessarily be broad-based, as, for example, with a broad-based consumption tax. A useful start would be to calculate—and present to the public each year—the broad-based consumption tax required to pay for higher spending.

In the end, the reason to get the nation's fiscal house in order is less about deficits or debt as percentage points of GDP than about our future. We need a healthy, dynamic and innovative economy. We need a safety net for those buffeted by change. And we need the flexibility to increase support for national defense and other new domestic priorities.

Mr. Hubbard, dean of Columbia Business School, was chairman of the Council of Economic Advisers under President George W. Bush.

IN DEPTH

A sold sign at a house in Toronto. Canada's finance officials say they're watching home prices carefully.

Reuters

Housing rebound in Canada spurs talk of a new bubble

Skeptics say they aren't yet seeing other symptoms of froth such as speculative buying or looser lending standards

By Phred Dvorak
Toronto

Dominic Carrasco first tried to sell his studio apartment here in January 2009. The only offers the 42-year-old massage therapist got were well below the 166,900 Canadian dollars he'd paid for it five years earlier.

Last month, Mr. Carrasco tried again. The condominium was snapped up by the woman in charge of posting the information to the real-estate listing site, for C$209,900, or US$196,150—40% more than the highest bid last year.

"I couldn't believe it," says Mr. Carrasco, who says he's both relieved and unsettled by his change in fortune. "If my condo can go up that much in one year, it doesn't make sense."

As the U.S. struggles to get out of its housing slump, its neighbor to the north faces a different challenge: Canada's housing recovery has been so rapid that some here are worrying about a bubble.

Last Wednesday, a housing-price index for Canada's six biggest cities posted its seventh straight monthly gain, showing home prices in November are now back to their prerecession peak. Another broader measure shows the average home price in 2009 hitting a record. Home building has picked up too, with housing starts in January rising for a fourth straight month to their highest level since October 2008, according to figures released Monday.

Canada's finance officials say they're watching home prices carefully. The finance minister in December outlined steps he can take to cool things down, if needed. The central bank last month said it is watching the booming market with "vigilance, but not alarm."

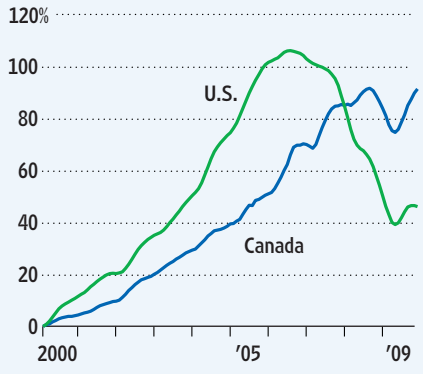
Some observers foresee trouble. "It's a mania. It's going to end badly," says Garth Turner, a former cabinet member who just published a book predicting that prices of real estate and other assets will fall.

Several other nations have taken action over concerns that their real-estate markets are heating up too quickly. In China, a housing boom has been lifting property prices at a 20% annual rate, helping fuel economic expansion of more than 8% in 2009. As evidence of a Chinese real-estate bubble mounts, the government there has tightened controls on bank lending. In South Korea, record-low interest rates led to frenzied home buying, and the government last year lowered the maximum amount that would-be homeowners can borrow.

In Canada, nearly 40% of gross domestic product historically is generated by exports, mainly to the U.S., where economic weakness persists. To stimulate its economy, the government has focused on the domestic slice. In an effort to boost internal consumption, it has kept a key interest rate near zero—resulting in exceptionally low mortgages rates—and has offered various financial incentives and tax credits.

National disparity

Percentage change in home-price indexes



Note: Existing-home sales for 20 major cities (U.S.) and six major cities (Canada)
Sources: S&P/Case-Shiller; Teranet-National Bank; TD Bank

Consumers have responded. Average home prices in Canada have risen 23% from their trough in January 2009. Home-sales volumes are up 70% over the same period.

Canada never had the kind of bubble created by risky "subprime" home loans that the U.S. had, thanks in part to conservative lending practices. The S&P Case-Shiller index—a U.S. index of home prices in 20 cities—more than doubled between January 2000 and late 2006, then fell 33% during the economic slump. In Canada, a similar home-price index of six major cities rose 90% between 2000 and mid-2008, but fell only 9% during the slump.

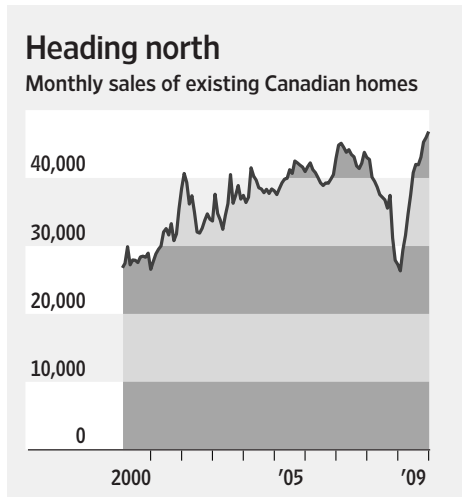
Not everyone agrees that Canada's recent price increases are cause for concern. Bubble skeptics say they aren't yet seeing other symptoms of froth such as speculative buying, looser lending standards or a run-up in land prices. Canada's central bank and finance ministry say there isn't currently any reason for alarm.

But some economists who are concerned point out that home prices are rising far

IN DEPTH

(Left to right) Rita Leistner/Redux for The Wall Street Journal; Reuters

Real-estate agent Heather Holmes, left, at a preview event for a new condominium project in Toronto. Economists at Toronto-Dominion Bank, above, say they think current home prices are about 12% above where they should be.



faster than other measures of economic health. The 2009 price increase of more than 20% came as personal income in Canada fell nearly 1% and total employment was 1.4% lower than the year earlier. In a December report, the Bank of Canada warned that household debt—largely mortgages—was 1.42 times disposable income during the second quarter of 2009, a record high.

Another possible danger: Because Canadian banks typically reset adjustable-rate mortgages every few years, those who are buying now at low rates will likely see increases soon. **Toronto-Dominion Bank** forecasts suggest that the rate to which many Canadian mortgages are pegged, the prime rate, could nearly double by the end of 2011.

The Bank of Canada warned in its December report that if interest rates increase as expected, by mid-2012 about 9% of Canadian households could have so much debt that they'd be "financially vulnerable."

"This is exactly what happened in the U.S., when affordability had moved way out of whack with prices," says David Rosenberg, an economist who witnessed America's housing bubble at Merrill Lynch in New York, and now sees similar trends up north from his post at Toronto-based wealth-management firm Gluskin Sheff.

The Canadian housing market's roller-coaster ride began in September 2008 with the collapse of Lehman Brothers in the U.S. and the freeze in global credit markets.

Brad Lamb says his Toronto real-estate firm noticed a drop in buyers. Sales volume plummeted and the company lost money, he says. Heather Holmes, one of his top agents, says that at one point she was handling 17 sellers at the same time, but had only a trickle of offers, at well below asking prices. To supplement income, she started handling rentals. "There was a lot of fear," she recalls.

Vaughn Gray, one of her clients, had agreed to buy a one-bedroom apartment the week Lehman collapsed. As he was completing the paperwork, his mortgage agent called with a request to increase his down payment to 15% of the condo's value, from the 5% they'd discussed earlier. Mr. Gray couldn't produce the cash, and the deal fell through. "It was heartbreaking," recalls Mr. Gray, a concierge at a clothing retailer.

By December 2008, the average home price in Toronto was 9% below the year-earlier level, and sales volume was down 50%, the Toronto Real Estate Board reported.

But Canada's housing slump didn't last long. In October 2008, the Bank of Canada made the first of a series of rate cuts that eventually lowered the target for its key overnight lending rate to 0.25%, which in turn reduced banks' prime rate—the basis for calculating variable-mortgage rates in Canada—to 2.25% by April 2009.

In Canada, nearly all mortgages have rates that adjust at least every few years. Currently, rates on some loans have fallen to 2% or lower.

Canada never saw the wave of foreclosures that the U.S. did, and the balance sheets of Canadian banks stayed strong. As the global credit crunch began to ease at the end of 2008, Canada's big lenders, which handle the bulk of residential mortgages, started to market more aggressively.

Toronto-Dominion Bank boosted its mortgage sales force by 10%, says Tim Hockey, head of the Canadian banking operations. Don Peard, the **Royal Bank of Canada**'s mortgage chief for Alberta, told his sales people to double the number of calls they made seeking mortgage referrals from real-estate agents and home builders.

Home sales started to rise again in February 2009. By midyear, Ms. Holmes, the Toronto real-estate agent, was seeing the kinds of bidding wars that were common in 2007.

"It's all the people that would have bought during the slowdown," she says. In September, she says, one condominium she handled had 15 offers—her personal record.

The low interest rates and the eagerness of banks to lend attracted buyers such as Cindy Girard of Red Deer, Alberta, who invests in residential real estate to supplement the money her husband earns as a welding inspector for the oil-and-gas industry.

Ms. Girard has been buying and renting out apartments for years. In 2009, she went into overdrive, buying six units in six months, with mortgages at rates ranging from 2.45% to 3.95%. She says she "maxed out" on the last mortgage, which pushed the family's ratio of debt service to income into the mid-40% range—above the level many Canadian lenders are comfortable with.

Ms. Girard says she bought all the properties for below the asking prices. "Money *is* growing on trees these days, lending rates are so low," Ms. Girard wrote in December in an online forum for real-estate investors. "There are loads of properties to choose from, and the banks want to lend!"

Nevertheless, with housing prices rising, recent buyers are finding deals harder to come by. Ms. Holmes, the agent, explains that a few years ago monthly mortgage payments on downtown Toronto condos were far enough below rents that investors could count on making a profit. Now, she says, new investors are more commonly just breaking even.

Bryce Wilson, an elementary-school teacher in Toronto who bought two condominiums in December, says a 20% drop in the value of his mutual funds prompted him to shift money into real estate. He's planning to rent out one property—a one-bedroom apartment in a new condo building—for C$1,500 a month, netting him C$360 a month after mortgage and maintenance fees. He says he is prepared for his 2% mortgage rate to rise. "I've budgeted for the rate doubling," he says.

Economists at Toronto-Dominion Bank say they think current home prices are about 12% above where they should be based on income and interest trends—not enough for a bubble, they say, so long as future price increases are slowed by home building and rising mortgage rates.

Mr. Hockey, Toronto-Dominion's domestic banking chief, says housing prices are "of interest but not a concern." If the situation worsens, he says, the bank will consider steps like raising the hurdles for borrowers.

The government is mulling action too. Finance Minister Jim Flaherty has said that if it's warranted, he would consider tightening the terms for home buyers seeking government-insured loans, shortening maximum mortgage lengths from their current 35 years, or raising minimum down payments from the current 5%.

But Canada's central bankers appear reluctant to take any steps that would hurt the economy. In a Jan. 11 speech, a representative of the Bank of Canada said: "If the Bank were to raise interest rates to cool the housing market now...we would, in essence, be dousing the entire Canadian economy with cold water, just as it emerges from recession."

For now, the housing boom shows no sign of abating.

Mr. Gray, the Toronto concierge whose home deal fell through at the end of 2008, is looking again for a condo, although he's had to increase his budget to around C$350,000, from C$250,000. Ms. Girard, the housewife in Red Deer, says she hopes to buy a seventh unit in a few months—after she pays down enough of her credit-card debt to qualify for another mortgage.

Mr. Carrasco, the Toronto massage therapist whose condo rose in value by 40% in one year, says he's glad he sold when he did.

"I think we're in a housing bubble," he says. "I'm going to put stuff in storage, rent cheap and buy again when prices come down."

FROM PAGE ONE

U.S. Fed crafts plan for tightening credit

Continued from first page

In response to the worst financial crisis in decades, the Fed took extraordinary action to prevent an even deeper recession—pushing short-term interest rates to zero and printing trillions of dollars to lower long-term rates. Extricating itself from these actions will require both skill and luck: If the Fed moves too fast, it could provoke a new economic downturn; if it waits too long, it could unleash inflation, and if it moves clumsily it could unsettle markets in ways that disrupt the nascent economic recovery.

Mr. Bernanke and his colleagues are attempting to explain—both to markets and the public—that the Fed has an exit strategy in the works in order to bolster confidence in its ability to steer the economy.

In his first congressional appearance since his confirmation for a second term last month, Mr. Bernanke testifies Wednesday before the House Financial Services Committee. He will return later in the month to give his semiannual outlook for the economy and monetary policy. He is likely to use the appearances to explain how the Fed expects to undo some of the extraordinary steps it has taken.

The nature of its exit from today's unusually low interest rates will affect everything from mortgage rates and what companies pay on short-term borrowings to the rates savers earn. The timing and sequence of the steps are the subject of intense speculation in financial markets.

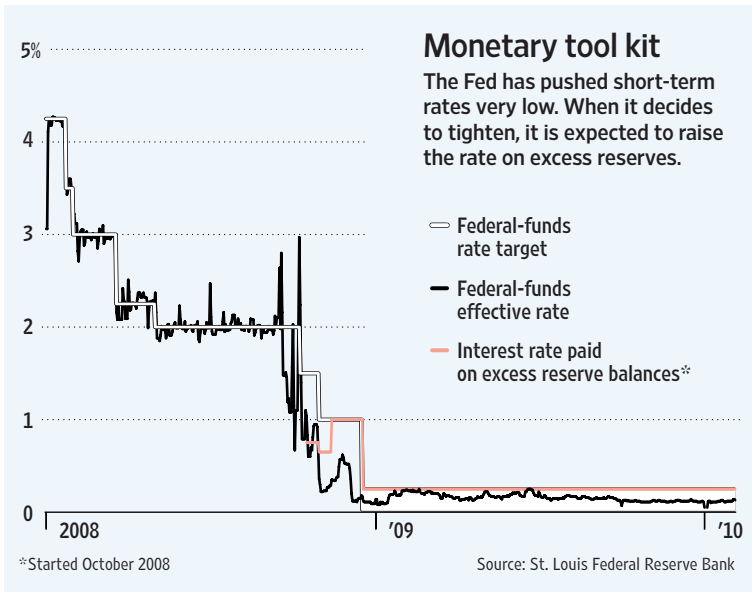
The Fed has ended several emergency lending programs, but the big step of broadly tightening credit looms. For now, the central bank has little interest in discouraging bank lending or consumer borrowing. Eventually, it will, to forestall inflation.

In the past, it simply raised its target for the federal-funds rate on banks' overnight borrowing. That rippled through to other rates. The Fed steers the fed-funds rate, which has been near zero since late 2008, by buying and selling securities to influence the supply of money in this market.

Because it has put so much money in the banking system, the Fed expects to find it hard to control the fed-funds rate with traditional approaches. Hence the search for alternatives.

Plans for the Fed's portfolio of mortgage-backed securities are another element of the internal debate over the exit strategy from super-cheap money. The Fed is on course to buy up to $1.25 trillion of the securities, in an effort to hold down mortgage rates and buoy housing.

Over time, officials want to reduce these holdings and return to holding U.S. Treasury securities as the Fed's primary asset. But they are reluctant to take steps that might push mortgage rates higher and damage the still-fragile housing market. Eventually, they could gradually sell mortgage securities, but such a move would be unlikely in the early stages of tightening.



Another element of the emerging strategy centers on communication. After pushing rates very low last decade, the Fed vowed to raise them slowly—at a "measured" pace—from 2004 to 2006. It kept its word, raising rates in 17 straight quarter-point doses.

Some economists say locking into slow, predictable increases helped fuel the borrowing boom that led to the financial crisis. "The predictability of the rate hikes was a problem for some of us" at the Fed at the time, said Marvin Goodfriend, former research director at the Federal Reserve Bank of Richmond and now at Carnegie Mellon's Tepper School of Management.

Mr. Goodfriend said it suggested more certainty about the outlook for the economy and rates than existed among some officials at the time. The wisdom of conveying that steady-as-she-goes approach then is still much debated among academics and other Fed watchers.

Officials are reluctant to be so predictable this time. Uncertain about the outlook for the economy and markets, they want to avoid committing to a course they might later find inappropriate. They want to keep open their options: raising rates quickly; keeping them low for a long time; boosting them and then pausing, or some other tack, depending on the economy.

Officials are warning investors and banks to prepare for surprises.

In January, Fed Vice Chairman Donald Kohn said: "Interest rates are difficult to forecast in the most settled or normal times, and their path is especially uncertain in the current circumstances."

The Fed is contemplating other innovative steps to manage some of the money it has pumped in, steps that officials say could come either slightly before or alongside a boost in the rate on reserves.

One is to encourage banks to tie up money at the Fed for a set period—preventing them from lending it—in what are called "term deposits."

Another is to lock up funds, and thus constrain the supply of credit in short-term lending markets, by borrowing against the Fed's large portfolio of securities holdings, in trades known as "reverse repos." When the Fed borrows from the markets, it effectively takes money out of circulation and replaces it with securities from its holdings.

China hunts tainted milk in Ningxia

Continued from first page

police say they believe the melamine-laced milk powder they discovered was recalled after it was found to be contaminated in 2008 and then repackaged and sold again.

Dairy farmers and milk traders started adding melamine-laced powder to raw milk in an effort to fool dairy-company quality checks. Melamine, which is high in nitrogen, mimics the presence of protein in some lab tests. In high-enough quantities it can cause serious kidney problems in people.

In the latest case, officials said they seized more than 60 tons of contaminated milk powder in Ningxia, according to the state-run Xinhua news agency. An additional nearly 100 tons had been sold by Ningxia Tiantian Dairy Co. to factories in neighboring Inner Mongolia and the southern provinces of Guangdong and Fujian, according to state-media reports.

How far the melamine-laced powder from Ningxia spreads through the food chain will depend on recall efforts as well as on how it is used. Milk powder can be used as a raw material in baked goods and candy as well as in baby formula and other dairy-based products.

The government's 10-day emergency inspection program is due to end Wednesday, before the country's Lunar New Year celebrations, which kick off this weekend. It is unclear if it will be extended, as new contamination cases crop up.

—Bai Lin contributed to this article.

Imaginechina via Associated Press

Chinese law-enforcement officers inspect milk power being sold at a supermarket in Chaohu, Anhui province, on Friday.

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BUSINESS & FINANCE.

Tuesday, February 9, 2010 THE WALL STREET JOURNAL. asia.WSJ.com

Chasing risk as regulators touch brakes

[ASIA DEAL JOURNAL]

By Nisha Gopalan

Even as governments around the world continue steps to rein in risk, banks across Asia are showing a new willingness to gamble.

In recent weeks, **Bank of America** Merrill Lynch has hired a head of private equity for Asia excluding Japan, as well as heads of derivatives sales and exotics trading, all in newly created positions.

Deutsche Bank in mid-January announced a new position for a head of residential mortgage-backed securities for the Asian-Pacific region. It appointed Sal Mirran, who most recently ran corporate strategy for Fannie Mae in Washington, to build a local mortgage-origination and risk-management platform across Asia, Japan and Australia.

Meanwhile, banks around the world are pressing clients old and new to rediscover riskier investments such as convertible bonds and derivatives.

"The lack of trend and the falling volatility among all asset classes is incentivizing investors to take more risk to generate return, as they don't expect large upside movement nor large downside movement in the current context," said Marc Saffon, head of financial engineering at Société Générale.

In other words, after six months of mending and generating juicy returns, regular stock and bond markets don't show enough near-term promise for many investors.

In recent weeks, Singapore-listed agricultural commodities

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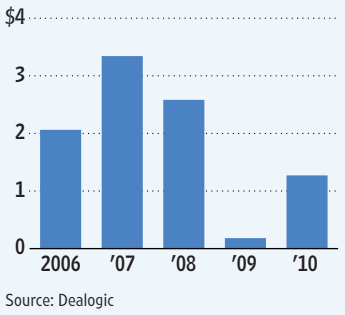
On recovery

Year-to-date convertible bond issuance in the Asian-Pacific region, in billions



Source: Dealogic

Kirin, Suntory end talks

Collapse of brewers' merger marks a setback for consolidation in saturated Japanese market

By Hiroyuki Kachi And Juro Osawa

TOKYO—The collapse of merger talks between two large Japanese beverage companies—**Kirin Holdings** Co. and **Suntory Holdings** Ltd.—is a broader setback for much-needed consolidation and efficiency in Japan, and the announcement sent share prices down across the industry Monday.

In contrast with their Western counterparts, Japanese companies in many industries have been reluctant to merge with competitors, despite a lengthy slump and a shrinking domestic market.

When the planned combination was first announced in July, analysts said the move was good for the companies, and also a sign that Japanese companies may be ready to take more aggressive steps to cut excess capacity. The latest move shows that can still be a tough strategy to pursue.

"It's very, very difficult to get rationalization, so there are long lingering deaths in Japan which often run for decades," said Peter Eadon-Clarke a strategist at securities firm Macquarie Securities in Tokyo.

The Kirin-Suntory deal to create one of the world's biggest brewers fell apart over deep-rooted differences about who would own and manage the future company despite months of talks.

The collapse sent investors in Japan's already highly competitive beer industry scrambling for cover ahead of what they believe will be a more intense, and more expensive battle for a shrinking domestic market. Kirin's shares closed 7.3% lower, sharply underperforming the Nikkei 225 Stock Average's 1.1% drop and erasing much of the stock's gains since the talks began last July.

"It's negative for Kirin in the long term because it had been planning to integrate its businesses with Suntory, partly hoping to cut promotion costs through synergy," said Goldman Sachs analyst Katsunori Tanaka.

"It's also negative for the domestic beer industry," he added, because having fewer brands in the saturated domestic market would have been beneficial for other players, such as **Asahi Breweries** Ltd., he added. Asahi's shares sank 5.5%, while shares in **Sapporo Holdings** Ltd. declined 2%.

On Monday Asahi, Japan's second-biggest brewer by sales, said its net profit rose 5.8% in 2009, as gains from the sale of subsidiaries and affiliates' stock helped the company ride out a drop in beer sales.

Asahi said net profit for the year rose to 47.6 billion yen ($533 million), below its forecast for 2009 of 50 billion yen. Kirin seized the No. 1 spot in the domestic market in terms of shipments from Asahi in 2009 for the first time in nine years.

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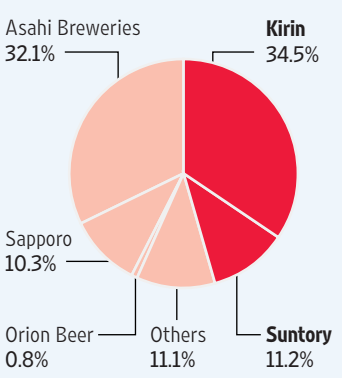
■ Kirin dodges a hangover by walking away from Suntory's demands. ... 30

Beer share

Brewers market share in Japan, by volume sales, 2009



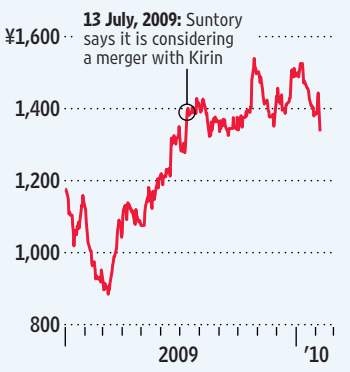
Source: Euromonitor International

European Pressphoto Agency

DAILY SHARE PRICE

Kirin Holdings

Monday's close: 1,337 yen, down 7.3%



Source: Thomson Reuters Datastream

CIC offers a glimpse into U.S. holdings

By Dinny McMahon

BEIJING—A new filing by **China Investment Corp.** on its stakes in U.S.-listed companies sheds light on the $300 billion sovereign-wealth fund's investment practices but includes relatively few large holdings in the U.S.

In a report to the U.S. Securities and Exchange Commission, CIC said it owned equity stakes valued at a combined $9.63 billion in more than 60 U.S.-listed companies at the end of last year. The holdings include small stakes in a number of companies CIC wasn't previously known to have bought into, such as American International Group Inc., Apple Inc., and News Corp., which owns The Wall Street Journal.

The CIC report, filed Friday, marks the first time the fund—one of the world's most-watched investors—has listed its holdings in such detail. The disclosure isn't a comprehensive list of CIC's U.S. holdings; it omits certain publicly announced investments, such as the fund's roughly 10% stake in private-equity firm Blackstone Group LP, which it bought for $3 billion in 2007 and added to in 2008.

It isn't clear which part of CIC made the investments listed on the SEC form. The Chinese fund has been hiring aggressively to build up internal expertise, even as it also has allocated funds to outside managers. In December it poached derivatives specialist Changhong Zhu from Allianz SE's Pacific Investment Management Co., and it also runs a hedge-fund-like portfolio in house that is overseen by former UBS AG trader Zheng Kongdong.

The list appears to reinforce other signs that CIC didn't bet big on U.S. companies last year as it ramped up its investments amid improving global markets. The biggest single holding on the list was CIC's stake in Canadian miner Teck Resources Ltd., which the filing valued at $3.54 billion at the end of last year. Investment in exchange-traded funds, many of them focused on non-U.S. markets, account for nearly a fourth of the $9.63 billion total.

Among U.S. firms, the list included a $1.77 billion stake in Morgan Stanley, representing a portion of the total investment CIC has announced in the U.S. bank since 2007, and a $713.8 million stake in BlackRock Inc., which CIC hadn't previously disclosed. Most other stakes were worth less than $10 million.

The SEC filing shows "CIC is willing to have a significant underweighting in the U.S.," said Michael McCormack, executive director at Z-Ben Advisors, a Shanghai-based research firm that studies CIC.

CIC Chairman Lou Jiwei said in late October that CIC had allocated $110 billion for overseas investments and deployed around half of

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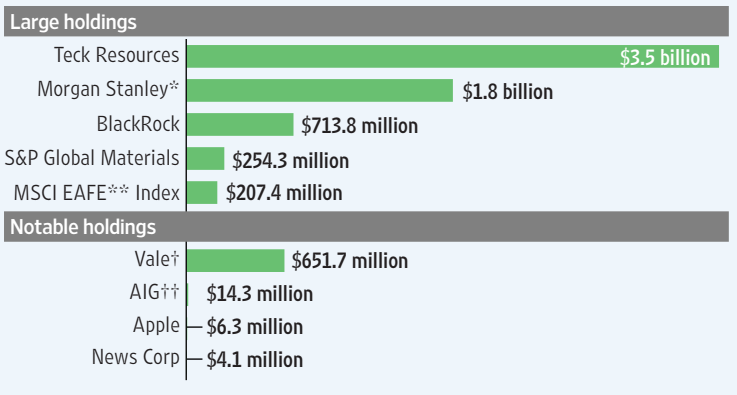
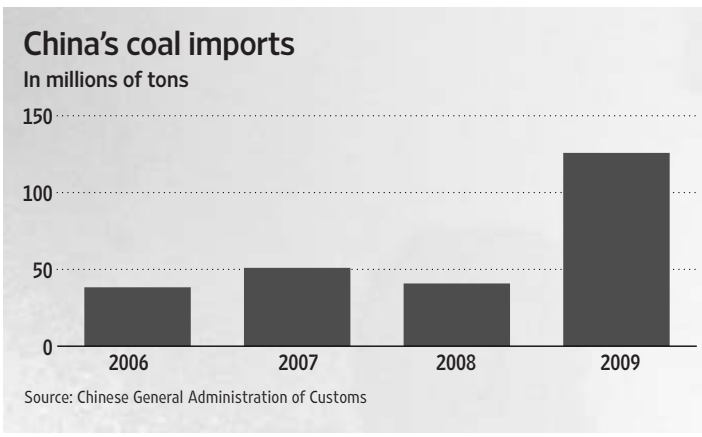
■ Heard on the Street: So much for CIC as the big bad wolf 30

Uncovered

Select CIC holdings in U.S.-listed stocks from a new SEC filing



Note: Figures don't reflect indirect holdings.
* Doesn't represent entire investment ** Europe, Australia and Far East †Includes stocks and depositary receipt ††Includes stocks and equity units
Source: U.S. Securities and Exchange Commission



Australian gambles on China

Clive Palmer's $8 billion coal mine would be island's biggest—if he can find investors

By Alex Wilson

MELBOURNE, Australia—Australia's wealthiest man last weekend took a big step toward creating the biggest coal mine this resource-rich nation has ever seen.

The question is whether global investors will go along for the ride.

Clive Palmer, a 55-year-old businessman, harness-racing enthusiast and published poet, on Saturday announced a deal in which the **Export-Import Bank of China** will arrange US$5.6 billion of the US$8 billion in financing he needs to build his planned megamine, dubbed "China First" in Australia's Queensland state and aimed at satisfying China's growing demand for coal. **China Power Investment** Corp. agreed to buy 30 million metric tons of coal annually from the project for 20 years, further increasing the odds the mine will be developed.

If it goes into operation, the mine could have a significant impact on the US$350 billion annual global coal market, with projected output of 40 million tons a year for power plants. Analysts forecast that China will import 90 million tons or more this year.

A green light for the project would also indicate a return of significant risk taking in the world's commodity sector. Mining companies shelved projects when the global recession hit in 2008. While commodity prices have rebounded from the lows of the past 18 months, many mining companies remain wary of reviving high-cost plans.

Mr. Palmer still needs to raise at least US$2.4 billion, though.

He hopes to raise the money by listing closely held **Resourcehouse** Ltd., the Brisbane, Australia, company that controls the rights to China First. A public offering of Resourcehouse that was to be made in Hong Kong last year has been delayed and now is expected as early as next month.

Metallurgical Corp. of China is expected to build the project, and the state-backed materials, engineering and construction group last month paid Mr. Palmer US$200 million for a 4% stake in Resourcehouse.

Meanwhile, the Australian government has signaled its support, putting China First on a fast track for regulatory approvals. Canberra has blocked or delayed some other Chinese mining investments in the past year out of fear China would own too much of Australia's natural-resources industry.

But so far those fears have been outweighed by the potential upside of developing China First. The mine project, in central Queensland's Galilee Basin, is expected to bring scores of jobs to rural Australia and likely would remain undeveloped without Chinese capital.

The project faces significant logistical hurdles, however. The coal deposit is located 490 kilometers inland, and analysts have said the cost of building a railway network to transport the coal to a port on Queensland's northeastern coast will make profit margins tighter than at other Australian coal mines.

RBS Morgans analyst Tom Sartor in Brisbane said China First requires such major infrastructure and capital outlays that it can't support the US$3 billion Mr. Palmer is seeking in the Resourcehouse offering, despite the backing of China. Mr. Palmer acquired the China First assets in a deal to take over Brisbane-based Waratah Coal last year that valued the assets at less than US$100 million, Mr. Sartor noted.

Mr. Palmer brushes skepticism aside. In a recent interview, he described the coal development as "the project of the century" and pointed to China's interest as a signal of the project's strength. He aims to start construction this year and begin mining in 2013.

Mr. Palmer has long had a connection with China and has expanded business ties there in recent years. He met Mao Zedong and China's last emperor, Pu Yi, while living in the country as a child.

The businessman made his first fortune by riding a property boom on Queensland's Gold Coast in the 1980s and retired at age 29 with about US$35 million in his pocket.

He returned to work in 1986, forging the deal that underpins his current US$9 billion investment empire, buying a huge, but low-grade, deposit of iron ore in Western Australia's remote Pilbara region. The mining giants that dominate the Pilbara, **BHP Billiton** and **Rio Tinto**, dismiss the value of such low-grade deposits, which require costly processing to make the ore usable by international steel mills.

After 20 years and several false starts, the purchase began paying off in 2006 when Hong Kong's **Citic Pacific** Ltd. agreed to pay annual royalties for future production.

"It has taken quite a while, but we got there," Mr. Palmer said.

"It is a question of how far ahead you look, how long you are prepared to wait to make a return and if you are brave enough to be prepared to lose."

As his assets swelled, he bought an Australian soccer team and last year was named the country's richest man by BRW, a prominent Australian business magazine.

He has also courted controversy, accusing Australian authorities of being "racist" for delaying or rejecting other mining deals involving Chinese capital. In a speech last year he called Australian Treasurer Wayne Swan, who oversees decisions on foreign investments, a "goose."

Mr. Swan's office dismisses the racism charges as an attack from a political partisan. Mr. Palmer is a donor to Australia's conservative Liberal National Party, while Mr. Swan is a member of the ruling center-left Australian Labor Party.

Industry executives and analysts regard Mr. Palmer as a canny investor but question whether he has enough mining expertise to hit pay dirt again.

Many fund managers believe there's a good chance the project will get up and running, however, largely due to China's interest.

"Australia has got a great role to play in Asia this century," Mr. Palmer said. "I just hope our business leaders appreciate that."

Xstrata reinstates dividend; profit falls

By Jeffrey Sparshott

LONDON—Anglo-Swiss miner **Xstrata** PLC on Monday said it would resume paying a final dividend, signaling an upbeat outlook for commodity prices and a turnaround at a company that a year ago struggled with debt and uncertain markets.

Xstrata also emphasized its evolving strategy toward growth through project development and away from major acquisitions—a shift that will see the company spend about $14 billion on expansion during the next three years.

Still, Xstrata's 2009 net profit fell 82%, largely because of write-downs but also a result of lower commodity prices. Net profit sank to $661 million for the year, from $3.6 billion the previous year. Net profit before exceptional items was $2.77 billion. Revenue fell 16% to $23.53 billion. But with debt falling after last year's £4.1 billion ($6.41 billion) rights issue and commodity prices gaining momentum in the second half, Xstrata said it was able to restart its dividend at eight cents a share and plans to increase those payments.

Meanwhile, African gold miner **Randgold Resources** on Monday said its fourth-quarter net profit more than tripled on record production at its Loulo gold mine and higher gold prices. Net profit climbed to $32.1 million from $9.1 million a year earlier, and the company increased its annual dividend by 30% to 17 cents a share.

Also Monday, **Anglo Platinum** Ltd., the world's largest producer of the metal, said it plans to raise $1.6 billion by issuing almost 24.9 million new shares to shareholders at 502.18 South African rand each, a 27% discount to the price last Friday. Prices for platinum, which is used primarily by the automotive industry although also in jewelry, were down sharply last year, and the company wants to reduce debt.

—Matthew Walls and Robb M. Stewart contributed to this article.

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Mongolia favors control of coal

Mining firms' access could be restricted

By Ellen Sheng

ULAN BATOR, Mongolia—Mongolian Prime Minister Batbold Sukhbaatar said he wants to keep full ownership of a key coal asset in government hands, potentially restricting access to a source that had drawn strong interest from Western mining companies.

Speaking to reporters at the first Mongolia Economic Forum, Mr. Batbold said he favors keeping Tavan Tolgoi, a huge coking-coal deposit, under full government ownership. Ownership of key deposits other than Tavan Tolgoi would be decided on a "case-by-case basis," he said.

His comments confirmed speculation last week that the government was likely to back out of a plan to sell a 49% stake in Tavan Tolgoi, opting instead for mining contracts or production-sharing arrangements.

"Contract mining is widely used in the U.S. and Australia, so this should be useful to Mongolia. We must see how we can create favorable conditions for foreign investment," Mr. Batbold said.

The prime minister, who came into office in October, said his recommendation on Tavan Tolgoi was still under discussion. "A task force must still study the proposal and then make a recommendation to Parliament for endorsement," he said.

Besides Tavan Tolgoi, mineral-rich Mongolia has numerous other deposits that can be developed. The Mongolian government has identified 15 strategic deposits of which it is prepared to own as much as 51%.

Whatever arrangement Mongolia's government chooses to pursue has implications for mining companies interested in operating in the country, as well as for the government's own finances.

The government's plan to sell a stake in Tavan Tolgoi had attracted such bidders as Anglo-Australian company **BHP Billiton**; Brazil's **Vale** SA; **Peabody Energy** Corp., of the U.S.; India's **Jindal Group**; and **China Shenhua Energy** Co.

Under a production-sharing agreement, mining companies would bear the cost of developing the deposits and share revenue with the government. While the companies wouldn't own the deposits outright, the terms of an agreement can stretch 15 years or longer and can still be structured in a way that makes them attractive.

Under a contract-mining arrangement, the government itself would bear the cost of developing the project and hire an outside company to do the extraction work. Opting solely for contract mining on Tavan Tolgoi or other projects could be a challenge, given the high costs involved and the weak finances of Mongolia's government.

"I don't think you have to extrapolate that it's a wholesale shift [in government policy]," said Alisher Ali Djumanov, chief executive of Eurasia Capital, an investment bank based in Hong Kong with a focus on frontier markets. "There are limits on how much the government can do. If they own 100% of Tavan Tolgoi, that will put the government in the driver's seat. It puts a lot of stress on the ministries. As other mining projects start up, there will be a limit on how many projects the government can handle simultaneously."

The Tavan Tolgoi mining deposit, located in Mongolia's South Gobi desert, has estimated coking-coal reserves of 6.5 billion metric tons and was originally developed with government funding.

Mongolia has some of the world's largest untapped reserves of coal, copper and other commodities.

—Peter Stein contributed to this article.

Bloomberg News

'We must see how we can create favorable conditions for foreign investment,' Prime Minister Batbold Sukhbaatar said.

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CORPORATE NEWS: THE TOYOTA RECALL

Toyota's U.S. chief is on the hot seat

Yoshimi Inaba is well versed in America, but that may not help as Congress digs into safety issues this week

By Kate Linebaugh And Norihiko Shirouzu

When Yoshimi Inaba took over the North American operations of **Toyota Motor** Corp. last year, the veteran executive was charged with turning around the company's largest unit by restoring it to profitability.

Now, the 63-year-old Mr. Inaba is preparing for a job he never imagined: testifying before Congress to explain Toyota's safety troubles.

A graduate of Northwestern University with years of experience in the U.S., Mr. Inaba is one of Toyota's most effective bridges between the Japanese and American cultures. He worked in the U.S. for eight years during two separate stints and was lured out of retirement last year at the behest of Toyota President Akio Toyoda, who needed a lieutenant to straighten out the U.S. operations.

His new assignment is unlike his previous ones when Toyota's U.S. business was growing by leaps and bounds. This time, the Osaka native must contend with excess plant capacity, slumping sales and an image crisis that threatens the company's reputation as a quality leader.

At an industry dinner a month ago, Mr. Inaba acknowledged the challenges to Toyota's status. "During 2009, our commitments to quality and safety, the two most important attributes of Toyota, were severely questioned," he told a packed ballroom in Detroit. "We learned some lessons the hard way. These issues generated plenty of debate and unfortunately some miscommunication that was our own fault."

Getty Images

Yoshimi Inaba, head of North American operations for Toyota Motor, is set to appear Wednesday before Congress.

This week, Mr. Inaba could face a much less friendly audience. He will sit before the Congressional Oversight Committee at a hearing Wednesday titled "Toyota Gas Pedals: Is the Public at Risk?" The company has recalled six million U.S. vehicles in two separate actions since September over concerns related to the pedals getting trapped by floor mats and reports of sudden unintended acceleration.

At the hearing, Mr. Inaba's comfort with English and American culture will be an asset. He will testify in English, with a Japanese translator on standby.

Those skills didn't come easily. For his first assignment at U.S. business school in the 1970s, Mr. Inaba struggled so much with English he needed 26 hours to write a two-page essay, he said in a 2003 interview. He then thrust himself into American life—playing softball, golfing with classmates, taking a ski trip to Jackson Hole, Wyo., and driving to Indianapolis for the Indianapolis 500.

"I partied more than I studied," he recalled in the interview.

Mr. Inaba, whom Toyota declined to make available for this article, came back to the U.S. in 1993 to work in Toyota's sales operation, based in Torrance, Calif. He enjoyed socializing and playing golf with the company's dealers. Mr. Inaba, who is well known for his fondness for Diet Coke and penchant for favoring American tunes like "My Funny Valentine," returned to Japan but came back to head the U.S. operation in 1999 before retiring.

His return again last year was welcomed by dealers. "When he came back to the U.S. it was a very, very happy day for the dealers," said Cliff Cummings, the owner of two dealerships in San Bernardino, Calif., who once said Mr. Inaba was the first Japanese executive "who has ever hugged me."

In a meeting last November in Japan where future products were a topic, Mr. Inaba advocated for more "out of the box designs" that are a little sportier and better suited to Western tastes, Mr. Cummings said. Mr. Inaba is "an effective advocate for the voice of the dealers here."

One of Mr. Inaba's big initiatives in his earlier positions in the U.S. was to develop the Scion brand, aimed at attracting younger buyers. While energized initially, Scion has languished as the company failed to give it new models. Scion sales fell 50% last year.

From a management perspective, Mr. Inaba is known for big ideas but not for working out the details, say people familiar with his style. And he has a reputation for thriftiness. When he ran the U.S. sales arm the head count in the sales and financial operations was kept at 9,000 even as sales grew and more projects were adopted. Those skills are especially needed now as Toyota tries to return to profitability.

But this week, congressional leaders will grill Mr. Inaba more on Toyota's track record than his own.

At a small press gathering during the Detroit auto show last month, Mr. Inaba answered questions about Toyota's November recall of 5.4 million vehicles over concern that floor mats could trap the gas pedal in an open-throttle position.

"We have to be much more alert on these things and also quickly react to it. Every day is a lesson and you have to learn it and I think this is something we have learned in a very hard way," Mr. Inaba said then.

Asked whether he was certain the fixes the company had announced were all Toyota would have to do, Mr. Inaba said: "Absolutely."

Ten days later, Toyota recalled 2.3 million vehicles over concerns about sticky gas pedals.

Many cars offer 'smart brakes'

By Jeff Bennett

Some of the fatal accidents and sudden acceleration that have caused **Toyota Motor** Corp. so much trouble may have been avoided if the auto maker had equipped its cars with a technology that some of its rivals have offered for years.

Nissan Motor Co., **Chrysler Group** LLC, **BMW** AG, **Daimler** AG's Mercedes-Benz and some other auto makers use a system that cuts off a car's throttle if the driver hits the gas and brake at the same time.

The computer system, known in the industry as Smart Pedal, tells the engine to disregard the accelerator if both the brake and gas pedals are pushed while the vehicle is moving.

U.S. regulators, in response to Toyota's recall, asked auto makers last week to provide information on their use of the technology that instructs the brake to override the accelerator when both pedals are pushed.

The National Highway Traffic and Safety Administration sent a questionnaire to auto makers last week seeking details on how Smart Pedal is implemented on their vehicles sold in the U.S, according to three people briefed on the matter.

Chrysler began implementing the Smart Pedal in 2003, a Chrysler spokesman said. "We saw the opportunity to use the system as an additional security measure for the driver. When a disagreement exists between the throttle and the brake, the brake signal causes the engine controller to reduce engine power, allowing the operator to stop the car. Safety is indeed a benefit of the system, but efficiency and durability are also important." he said.

As part of Toyota's recall of 5.4 million U.S. vehicles over concern that floor mats could jam under the accelerator, the company said its dealerships will reprogram the onboard computer system so that if the brakes and gas pedal are pressed simultaneously, the brakes will take precedence.

Such a feature may have helped control vehicles that reportedly accelerated to high speed. That was the problem an off-duty California state trooper faced Aug. 28, when the Lexus ES350 he was driving zoomed to 125 miles an hour near San Diego. A passenger called 9-1-1 and said the accelerator was stuck and the driver was hitting the brakes to little effect. The call ended when the car crashed, killing the trooper and three family members.

The Smart Pedal computer system tells the engine to disregard the accelerator if both the brake and gas pedals are pushed while the vehicle is moving.

Toyota said the brake-override system would be standard equipment throughout the Toyota and Lexus product lines starting with the January 2010 production of the ES350 and Camry. It is scheduled to be incorporated into new production of most, but not all, models by the end of this year.

The electronics system in BMW's vehicles reduces engine power so the driver can stop, said product spokesman Tom Plucinsky. The safety feature has been offered on all of its vehicles since the 2005 model year.

Hyundai Motor Co. intends to equip all of its vehicles with the feature by the end of this month, while Nissan already offers it on all of its cars.

General Motors Co. offers brake override on its performance vehicles, such as the Corvette ZR1, Camero SS and the four-cylinder Malibu. GM installed the system to ensure that its high-horsepower vehicles, or vehicles with more torque, such as the Malibu, meet the company's internal braking-distance standards.

GM hasn't implemented the system on other vehicles since its brakes are always stronger than its engines, it said. "That means if you stand on the brake and the accelerator the brake wins all the time," GM spokesman Alan Adler said.

Ford Motor Co. is employing the technology on its Fiesta subcompact car, which will be introduced in the U.S. later this year. Ford plans to roll out the feature to its other vehicles, although a timetable hasn't been disclosed.

Toyota could pinch sector

Continued from first page

ington-led bailouts of their U.S. rivals. Mr. Hojo played down those tensions. "I don't think that NHTSA is anti-Japanese," he said.

Mr. Hojo said that Honda, Japan's No. 2 auto maker, is set to increase incentives to car buyers in the U.S. to $1,400 per vehicle in the quarter ending March 31, up from $800 provided in the previous quarter.

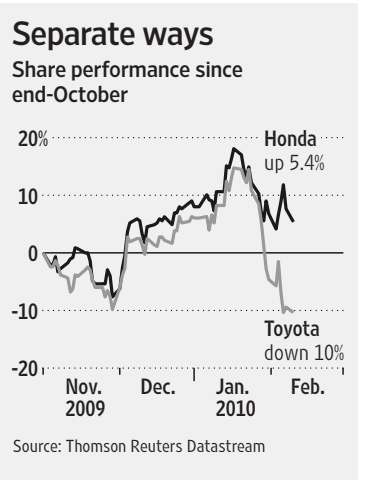
"We have relatively low inventory levels. But for the Accord and the Civic, their inventory days came to around 70 days in January [compared with the company's average of 60 days]. So we'll spend incentives for these," he said.

Among the major car makers in the U.S., Honda offered the lowest average incentive of $1,281 last year, according to data by Edmunds.com.

Mr. Hojo said that industrywide U.S. auto sales grew to 11.2 million in December on a seasonally adjusted annualized selling rate basis, the second-best month of 2009 after August, which received a major boost from the "cash for clunkers" U.S. government-rebate program.

But he said the growth was driven mainly by fleet sales to rental and commercial operators, which are generally less profitable than retail sales to individual customers. "Demand from individuals hasn't yet recovered yet," he said.

Mr. Hojo said a full recovery in the U.S. market was necessary for its earnings to return to pre-financial crisis levels. "We sold 1.15 million vehicles in 2009 and plan to sell 1.23 million in 2010. But these numbers are 300,000 to 400,000 fewer than the past volume," he said. He added, "we don't see yet" a sign of when it will return to the past healthy volume of around 1.60 million vehicles, he added.



The car maker, which also makes jets, lawnmowers and water pumps, expects net profit to soar 93% to 265 billion yen ($2.96 billion) in this fiscal year, which ends March 31.

Mr. Hojo said that in India, sales of Honda's motorcycles "are growing explosively" with a 30% sale increase in the three months ended in December. The overall market will likely increase 35% to nine million motorcycles sold annually, he said.

Honda is also set to launch a newly developed low-cost car with a price of below 500,000 rupees (about $10,720) in 2011 to tap the booming market.

IBM unveils server chip

Giant hopes Power7 processor extends its edge in Unix market

By Paul Glader And Don Clark

IBM Corp. is introducing its next generation of microprocessor chips and systems that use them, hoping to extend the computer giant's recent lead in the market for mid-range servers.

The computer maker says its Power7 chip, which it announced Monday, is four times faster than its predecessor. IBM is also announcing new servers for chores like processing cancer-research data, managing electrical grids and analytics for financial institutions. Sales of these systems, which run versions of the Unix operating system, total about $14 billion a year.

Associated Press

IBM's new servers compete with H-P and Sun. Above, a sign in New York.

The IBM announcement comes amid a flurry of activity in chips aimed at servers. On Monday, for example, **Intel** Corp. is expected to introduce a long-delayed version of its high-end Itanium product family, a separate product family from the x86 chips used in most personal computers and lower-priced servers.

Intel's latest Itanium—a massive chip with two billion transistors that is code-named Tukwila—is expected to be used by customers that include **Hewlett-Packard** Co., the company that helped develop the original Itanium design in the 1990s.

But Intel is also beefing up its Xeon chips, which use x86 technology. A new model is expected to arrive by the end of the first quarter, adding reliability features to handle similar chores as Itanium and Power7 chips.

One major way chip makers are improving their products is by adding calculating engines, known as processor cores. Some companies also have technology that allows each core to simultaneously handle more sets of instructions, known as threads.

Intel's forthcoming Xeon model, for example, is expected to have eight cores—up from a maximum of six cores for Xeons now—and handle up to 16 threads. Rival **Advanced Micro Devices** Inc. is expected in the first quarter to announce a new X86 server chip, dubbed Magny-Cours, that comes in eight-core and 12-core models; they don't handle multiple threads.

IBM's Power7, meanwhile, boasts eight processing cores and can handle 32 threads. Nathan Brookwood, an analyst with the research firm Insight 64, adds that each of the IBM cores are unusually powerful. "Power7 has clearly established itself as the chip to beat," Mr. Brookwood said.

Larry Ellison, chief executive of software giant **Oracle** Corp., has suggested his company's acquisition of Sun Microsystems—a major player in Unix servers—will spell trouble for IBM. But IBM executives say the Power7 announcement only ensures their market-share lead in the Unix market; IDC, a research firm, says IBM's share of the market for Unix systems has swelled to 39% today from 25% in 2003.

IBM points to a series of new features in Power7 and the systems that exploit it. A technology called TurboCore, for example, delivers two times the performance per core of the predecessor Power6 Systems, the company says.

"We feel good comparing it to current products and products we expect to come," said Rod Adkins, senior vice president of IBM Systems and Technology. Mr. Adkins estimates IBM spent about $3.2 billion in the past 3½ years on the technology.

Kirin and Suntory abandon merger talks

Continued from page 17

Revenue at Asahi, which also makes soft drinks, food and healthcare products, edged up to 1.47 trillion yen from 1.46 trillion yen a year earlier. But alcoholic-drinks revenue dropped to 985.5 billion yen from 1.02 trillion yen in 2008 amid intense competition.

Problems reaching a deal with the founding family of Suntory were at the root of the proposed merger's undoing. The company is privately held and its shares aren't traded.

The merger plan would have created a company with annual revenue of about 3.8 trillion yen—rivaling the world's leading brewer, **Anheuser-Busch InBev** NV, in sales.

But while Kirin, with a market capitalization of more than 1.3 trillion yen, outweighs Suntory in terms of size, the Suntory family's near-90% stake in their company meant they could have ended up with a controlling stake of more than one-third of the merged firm.

"It's essential for Kirin to ensure independence and transparency of management as a public company," said Kirin President and Chief Executive Kazuyasu Kato at a news conference after the announcement.

Although he said that the Suntory family's stake in the merged entity "was not a main factor" that led to the decision to end talks, he declined to specify any other reason, saying that the details of the negotiations are confidential.

Earlier Monday, Mr. Kato met with Suntory President Nobutada Saji—a grandson of the company's founder—and they agreed to end the merger talks.

Suntory's Mr. Saji said at a separate news conference that finding a satisfactory merger ratio in exchanging shares was the most challenging issue in the talks. There was a "considerable gap" between the two companies over the ratio, he said, adding that throughout the negotiations he felt differences between private companies like Suntory and listed companies like Kirin.

As the talks progressed, there were concerns at Kirin that Suntory's founding family could become too influential in the merged entity. Through its asset-management company, the family could have become the largest shareholder in the new entity with more than 33.4%.

When the deal was first announced in July last year, catching industry watchers by surprise, the pair said they hoped to reach an accord on details by the end of last year. But media reports suggesting trouble in hammering out a deal seeped out toward the end of last year, and the pair subsequently said the talks could take longer.

Kirin, best known as the maker of beer brands such as "Kirin Lager" and "Kirin Ichiban," was established in 1907. The Tokyo-based company operates beer maker Kirin Brewery, soft-drink maker Kirin Beverage and pharmaceutical company Kyowa Hakko Kirin. It generated sales of 2.3 trillion yen for the business year ended Dec. 31, 2008.

Established in 1899, Suntory produces whisky brands such as Yamazaki but has diversified into soft drinks, food and health fields.

While domestic consolidation has been difficult, both companies have independently been active trying to expand in faster-growing overseas markets. At the same time that it was pursuing the tie-up with Kirin, Suntory also agreed last year to acquire privately held European beverage maker Orangina Schweppes Group for about $3.3 billion, the largest purchase by a Japanese company of a foreign company in 2009.

The collapse of the talks underscores the difficulty, across industries, that Japanese companies have faced in consolidating, despite widespread assertions by analysts that numerous sectors have excess capacity, especially in a domestic market that has had long-term sluggish growth, and is currently facing a new bout of deflation.

The Kirin-Suntory combination isn't the only domestic combination to run into trouble lately. Monday's news follows reports in recent days that merger talks between Japanese lenders **Shinsei Bank** Ltd. and **Aozora Bank** Ltd. are also stalling over differing strategic views. Both banks continue to work toward the $4.9 billion merger, though completion of the deal would slip past the current October deadline, according to people familiar with the matter.

—Alison Tudor, Kenneth Maxwell and Ayai Tomisawa contributed to this article.

Audi gets a lift in China

By Christoph Rauwald

FRANKFURT—Audi AG said its January sales rose 39% from a year earlier to 77,800 cars as **Volkswagen** AG's premium brand benefited from strong demand in China.

"Due to the current order registrations, we expect a strong first quarter in 2010," Audi sales chief Peter Schwarzenbauer said in a prepared statement Monday. He added that Audi is "on target to reach the record we set in 2008 of one million cars sold, which we want to achieve again in 2010."

The company said its new Q5 sport-utility vehicle is driving sales, along with the A5 Sportback.

Audi sold more cars in China last month than on the company's home turf in Germany. The auto maker's sales in China more than doubled to 16,798 cars from 7,816 in January 2009, while its sales in Germany rose 9.3% to 11,657.

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PROPOSED SCHEMES OF ARRANGEMENT

NOTICE IS HEREBY GIVEN that, by an order dated 30 November 2009 made in the above matters, the High Court of Justice of England and Wales has directed that meetings ("**Meetings**") be convened of the Scheme Creditors (as defined in the proposed scheme of arrangement referred to below) of the above companies (the "**Scheme Companies**") at 11am (English time), on 30 April 2010, at Plaisterers' Hall, 1 London Wall, London EC2Y 5JU, United Kingdom, for the purpose of considering, and if thought fit, approving (with or without modification) schemes of arrangement pursuant to Part 26 of the Companies Act 2006 proposed to be made between the Scheme Companies and their Scheme Creditors (the "**Scheme**").

All Scheme Creditors are requested to attend the relevant Meetings either in person or by proxy.

Copies of the proposed Scheme and the explanatory statement required to be provided pursuant to Section 897 of the Companies Act 2006 (the "**Explanatory Statement**") can be downloaded from the website at www.englishandamericanpools.com (the "**Website**"). A sample version of the voting and proxy form for use at the Meetings (the "**Voting Form**") can be found at Schedule 8 to the Explanatory Statement. Voting Forms can be completed either on the Website or in paper form.

Scheme Creditors should contact the Scheme Manager, PRO Insurance Solutions Limited, Bruton Court, Bruton Way, Gloucester GL1 1DA, United Kingdom ("**PRO**") to obtain a username and password in order to access their Voting Form on the Website, or to request a paper copy of the Voting Form. Paper copies of the Scheme and Explanatory Statement can also be obtained on request from PRO. PRO's contact details are as follows:

E-mail: **Pro_eauapools@pro-ltd.co.uk**
Fax: **+44 (0)1452 523 437**
Phone: **+44 (0)1452 330 514**

Scheme Creditors are strongly encouraged to enter their details directly on to Voting forms on the Website.

Scheme Creditors are requested to return their completed and signed Voting Forms together with supporting information to PRO by post, fax or e-mail at the above contact details, marked for the attention of Toby Wooldridge to be received by 11am (English time) on 30 April 2010. Failure to submit your Voting Form by this deadline could result in your vote being excluded. Faxed or e-mailed forms will not be accepted unless legible. In any event, Scheme Creditors must return the original signed Voting Form and any supporting information to PRO, marked for the attention of Toby Wooldridge to be received no later than 14 days after the Meetings.

Scheme Creditors who wish to attend the Meetings in person or by proxy must hand their Voting Form in at the registration desk prior to the Meetings.

If approved by the requisite majority of Scheme Creditors, the Scheme will be subject to the subsequent approval of the Court.

For further information in this regard, please contact PRO.

DATED FEBRUARY 2010

MARKETS

Huatai aims for $2.53 billion IPO

Brokerage sets target range for the largest listing in China this year, but analysts say the price may be too high

By Michelle Ng

SHANGHAI—Chinese brokerage house **Huatai Securities** Co. plans to raise as much as $2.53 billion in what is set to be the biggest initial public offering in China's depressed market this year.

Huatai set an indicative price range of 20 yuan to 22 yuan ($2.93 to $3.22) a share for the deal. The range values Huatai's shares at 29.41 to 32.35 times its 2009 earnings, above the industry average of 28 times.

The higher-than-average valuation could mean a mediocre debut for Huatai shares. New listings have suffered recently because of high valuations, broad market weakness and a large supply of IPO shares, with China Erzhong Group (Deyang) Heavy Industries Co. and China XD Electric Co. actually falling below their IPO prices on their debuts in the past two weeks.

Huatai, a Nanjing midsize brokerage, said Monday that it plans to sell 784.6 million shares, or 14% of its enlarged share capital, ahead of a listing on the Shanghai Stock Exchange. Even if it doesn't raise the maximum $2.53 billion, the offering is set to be the biggest this year in China, with a distant second in China XD Electric, which raised $151.20 million on Feb. 2.

Analysts said Huatai's price range is higher than it should be given the weak post-debut performance of recently listed peers China Merchant Securities Co. and Everbright Securities Co.

China Merchant Securities closed Monday at 30.10 yuan, down 3% from its IPO price of 31 yuan, and Everbright Securities was at 26.71 yuan, down 14% from its record high of 30.94 yuan on Jan. 11, though it is still up 27% from its IPO price of 21.09 yuan.

The Shanghai Composite Index closed at 2935.17 and is down 9.5% this year.

"China Merchants' IPO shares were valued at a price-to-earnings ratio of 30.7 times its 2009 earnings. Such a high valuation was instrumental in causing it to trade below its IPO price," Guodu Securities Co. said in a research note. "We think a reasonable P/E ratio for Huatai's IPO shares would be not more than 25 (or a share price of up to 18.50 yuan)."

Industrial Securities analyst Zhang Ying said he expects Huatai's earnings per share will be 0.81 yuan in 2010 and 1.36 yuan in 2011, and that an IPO price of 18.80 yuan a share is reasonable.

Still, Ping An Securities analyst Li Xianming said demand for Huatai's IPO shares will be strong because "the brokerage sector in general has many things going for it this year."

Shenyin & Wanguo Securities analyst Qian Qimin said as long as the Shanghai Composite Index is above 2800 when Huatai makes its debut, the brokerage will likely end its first day in positive territory.

"Gone are the spectacular first-day gains of the past year, but I think Huatai should be able to see a 5% to 9% first-day rise since it has stronger fundamentals than China Merchants Securities," Mr. Qian said.

Merrill's ex-chief to lead CIT

By Susanne Craig And Mike Spector

Former Merrill Lynch & Co. chief John Thain is joining embattled lender **CIT Group** Inc., bringing together two prominent casualties of the credit crisis.

Mr. Thain, who left **Bank of America** Corp. 13 months ago amid controversy over its takeover of Merrill, will be CIT's chairman and chief executive. CIT, a major lender to small businesses, nearly collapsed in 2009, several years after it expanded into subprime mortgages and student lending.

For Mr. Thain, 54 years old, the new job, which began Monday, marks the chance to restore his career after a fall from grace. "It has been a difficult year," he said Sunday.

"This is a very interesting company to me," Mr. Thain added. "CIT's primary business is lending to small and midsize companies, and if the U.S. economy is going to continue to improve, this is where we need to focus."

He will be paid a $500,000 salary and receive restricted shares that, if available for sale today, would have a value of $5.5 million.

CIT is trying to mount a comeback of its own, having emerged from bankruptcy protection in December after eliminating more than $10 billion of debt.

It is one of several financial firms that have struggled to find a CEO amid the credit crisis, curbs on executive pay and the specter of government scrutiny. Now, more 16 months after the collapse of Lehman Brothers Holdings Inc., other executives prominent during the crisis are starting to surface. Thomas Russo, Lehman's former general counsel, recently became general counsel at American International Group Inc.

CIT approached Mr. Thain, whom Bank of America ousted shortly after its purchase of Merrill closed in January 2009. Since then, few public companies had been willing to take a risk on the executive, according to people familiar with the matter. Some CIT directors and stakeholders also raised concerns.

Mr. Thain is a former president of Goldman Sachs Group Inc. who in 2003 became head of the New York Stock Exchange, where he is credited with smoothing a move to electronic trading. After joining Merrill in 2007, he found himself under fire as mortgage-related woes mounted, and he agreed in September 2008 to a takeover by Bank of America. He also drew criticism for the cost of an office renovation, eventually paying it himself.

Reuters

John Thain, shown in June 2008, left Bank of America 13 months ago.

As recently as mid-January, some CIT directors remained unsure about Mr. Thain. They worried that his association with Merrill might unnerve U.S. regulators, who must approve new CIT directors as well as its restructuring plans.

Mr. Thain made a presentation to the board that helped his chances, said people familiar with the situation, and the board ultimately decided it couldn't pass up a candidate of his caliber. "There were a lot of good leaders that we interviewed but in the end, John Thain was the Olympic athlete," said one director, John Ryan.

CIT investor Jeffrey Aronson said, "If you take someone with a long-term proven record as a winner who's gone through a tough patch, I know as an investor I always want to bet on that person." Mr. Aronson said co-heads Centerbridge Partners LP and took a lead role negotiating CIT's restructuring last year.

At CIT, Mr. Thain will receive restricted shares valued at $5.5 million, $2.5 million of which he won't be able to touch for one year, according to regulatory filings. The other shares will be out of reach for three years, and the board may also award restricted shares valued at $1.5 million if performance criteria are met.

Mr. Thain will be the second former Merrill executive to run CIT, following Jeffrey Peek, who joined CIT in 2003 and left last month. Board member Peter Tobin has been interim CEO.

Mr. Thain said he plans to work on CIT's funding issues and to rebuild management. Nelson Chai, who served at Merrill when Mr. Thain was there, has been approached about coming to CIT. He declined to comment.

Emerging-market bonds shine for Pimco's CEO

By Enda Curran

SYDNEY—Bonds from emerging economies and the German government are the most attractive sovereign debt securities in the world, Mohamed El-Erian, global chief executive officer and co-chief investment officer of Pacific Investment Management Co., said Monday.

Mr. El-Erian, manager of the world's largest bond fund, said his fund favors shorter-dated debt, in particular from countries such as Mexico, Brazil and South Korea.

"Our favorite sovereign debt right now is some of the emerging economies that have suffered due to contagion, which we think will be reversed," Mr. El-Erian said in an interview. "And in the advanced economies, Germany, which we think has the best set of conditions of all the advanced economies when it comes to sovereign debt."

He said U.S. Treasurys should remain range bound in coming months, weighed by supply concerns, though an expected slowing of the U.S. economy's recent fast growth will support prices. "Growth rates of the fourth quarter of 2009 and first quarter of 2010 cannot be sustained."

Inflation is likely to become a growing concern for investors later this year, he said. "I suspect inflation will be an issue when you look into 2011 and 2012."

"We wouldn't buy [inflation-linked debt] at this level. It was very cheap nine months ago and six months ago; today it is just fair. We would wait for it to be more attractive but inflation protection is something investors are going to be worrying about in the next two to five years."

Mr. El-Erian said Pimco has identified sovereign risk as a key theme for Pimco in 2010, but although the Greek government is in need of external financial aid, it likely will not default.

On AAA-rated sovereigns, he said the U.K.'s growing debt is continuing to pressure that country's credit profile. "The sovereign most at risk right now is the U.K., in terms of its AAA rating."

China Construction Bank cuts its loan quota by 20% for 2010

BEIJING—In another sign Chinese banks are adjusting their pace of lending to meet stricter regulatory requirements, **China Construction Bank** Corp. has set its annual quota for new loans at 750 billion yuan ($109.8 billion), about 20% less than last year, and set limits for each quarter, a person familiar with the situation said Monday.

For the past month, China's central bank and the China Banking Regulatory Commission have been urging lenders to keep the pace of lending growth stable, in part due to rising concern about inflation and asset bubbles.

Chinese banks used to rush to lend at the beginning of each year, partly to increase market share but also due to concern regulators would strictly control lending later in the year. In the first quarter of last year, for example, the local banking sector extended 4.58 trillion yuan of new yuan loans, nearly half of the 9.59 trillion yuan in new loans issued for all of 2009.

CCB, China's second-largest lender by assets after **Industrial & Commercial Bank of China** Ltd., wants its new loans to total no more than 30% of this year's loan ceiling in both the first quarter and the second quarter. Lending in both the third and fourth quarters should total no more than 20% of the annual limit, the person said.

The bank set the quotas based on guidance from the China Banking Regulatory Commission at the beginning of this year, the person said.

A CCB spokesman declined to comment. Asked about the quota guidance, the CBRC said in an email that the regulator has always required banks to "reasonably control their loan growth...and achieve a balanced supply and a stable growth of credit from quarter to quarter."

While the CBRC hasn't acknowledged issuing quarterly quotas for banks, there have been signs it has been taking steps to prevent sudden surges in lending.

—Victoria Ruan

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Treasurys retreat as auctions loom

By Min Zeng

NEW YORK—Treasury prices fell Monday as pressure from upcoming government debt supply mounted while concern over fiscal problems in several euro-zone nations eased.

U.S. CREDIT MARKETS

In late-morning trade, the two-year Treasury fell 1/32 to 100 6/32, yielding 0.7791%. The 10-year note shed 12/32 to 98 7/32 to yield 3.5925%. The 30-year bond fell 21/32 to 97 13/32, yielding 4.5343%.

Bond prices move inversely to yields.

The government will sell $40 billion in three-year notes Tuesday, followed by $25 billion in 10-year notes Wednesday and $16 billion in 30-year bonds Thursday.

The Treasury market also gave back part of last week's rally as worries were reduced a bit Monday after finance ministers of euro-zone nations said they would make sure Greece sticks to its deficit-cutting plan, which won a conditional endorsement from the European Commission last week.

Unease over euro-zone fiscal issues remains, but a sense of calm returned to the market following a week of broad-based selling in riskier assets including stocks.

Goldman banker leaving Japan

By Alison Tudor

TOKYO—**Goldman Sachs Group**'s No. 2 investment banker in Japan, Kevin Quinn, is moving back to the U.S., the latest in a series of high-level departures from foreign banks active in the world's second-largest economy.

Mr. Quinn will become the global chief operating officer of the firm's telecom, media and technology investment-banking business based in New York. He will be succeeded by Shahriar Tadjbakhsh, the head Goldman's Paris office, people familiar with the matter said.

Mr. Quinn became chief operating officer of Goldman's Japanese investment-banking operations about three-and-a-half years ago. Investment bankers in Tokyo regard his latest move as a promotion.

The move follows other big-name departures from Japan. Douglas Peterson, chief executive of Citigroup Inc.'s Japan operations, is returning to New York to become the chief operating officer of Citibank N.A. while J.P. Morgan Chase & Co.'s Japan head, Gregory Guyett, will move to London later this year to lead J.P. Morgan's new global commercial-banking services unit.

After big week, Asian issuance could drop off

By Ditas Lopez

SINGAPORE—The pace of global bond deals out of Asia may ease after last week's furious activity as caution creeps back into the market, but the pipeline points to a steady flow of offerings.

Bankers and other people in the market say a slowdown in issuance

BOND MARKETS

in the next few weeks would give the market more time to digest the record amount of bond sales from the region last week.

Those deals were executed in a market hit by mounting worries over disappointing U.S. economic data and the debt woes of a number of European countries. The newly priced bonds fell sharply as a result.

Last week, 10 Asian issuers priced a record weekly total of around $7.2 billion in international bonds, ahead of the Lunar New Year holidays. Among these were petrochemicals firm **Chandra Asri** and independent power producer **Star Energy Geothermal**, two Indonesian issuers that sold offshore bonds for the first time.

Now, regular borrowers from Asia are waiting in the wings, banks are looking to price subordinated debt and low-rated first-time corporate issuers are lining up to do deals.

Indonesian state-owned oil company PT **Pertamina** has hired Citigroup, Credit Suisse and HSBC to manage the sale of up to $1.5 billion in international bonds to pay for capital expenditure.

The offering is slated for the first half of this year.

Monday, Singapore state-investment fund **Temasek Holdings** Ltd. sold one billion Singapore dollars (US$702.9 million) of 10-year bonds, its first domestic bond sale of the year.

Japanese bonds

Yields on Japanese government debt slipped Monday as the darkening outlook for the U.S. and European economies pushed investors into safe-haven assets.

The benchmark 10-year yield fell 0.01 percentage point to 1.355%.

—P.R. Venkat in Singapore and Tomoyuki Tachikawa in Tokyo contributed to this article.

FUND SCORECARD

Singapore Equity

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Leading 10 Performers

FUND RATING *	FUND NAME	FUND MGM'T CO.	CURR.	LEGAL BASE	% Return in $US ** YTD	1-YR	2-YR	5-YR
1	**HSBC GIF Singapore Equity A Acc**	HSBC Investment Funds (Luxembourg) S.A.	USD	Luxembrg	**-8.40**	85.10	-10.21	6.39
2	**DWS Singapore Sm/Mid Cap A**	Deutsche Asset Mgt (Asia)	SGD	Singapore	**-4.88**	82.66	-6.43	NS
3	**DBS Shenton Thrift**	DBS Asset Management Limited	SGD	Singapore	**-7.76**	80.18	-6.80	8.75
2	**JF Singapore A (dist) - USD**	JF Asset Management Limited (HK)	USD	Luxembrg	**-8.63**	79.00	-10.85	13.27
3	**LionGlobal Singapore Trust SGD**	Lion Global Investors Ltd	SGD	Singapore	**-8.61**	71.82	-4.45	11.72
4	**FF - Singapore A USD**	Fidelity (FIL (Luxembourg) S.A.)	USD	Luxembrg	**-9.60**	71.51	-3.24	12.35
4	**DWS Singapore Eq A**	Deutsche Asset Mgt (Asia)	SGD	Singapore	**-9.34**	70.91	-5.45	13.25
5	**Aberdeen SP Singapore Eq SGD**	Aberdeen Asset Management Asia Limited	SGD	Singapore	**-6.94**	70.30	0.12	13.30
4	**SSgA Singapore Index Equity Fund P**	State Street Global Advisors France	SGD	France	**-9.05**	70.23	-3.75	12.17
3	**UBS (Lux) EF Singapore (USD) P Acc**	UBS Equity Fund Management Company S.A.	USD	Luxembrg	**-9.76**	70.04	-3.82	12.15

NOTE: Changes in currency rates will affect performance and rankings.
KEY: ** 2YR and 5YR performance is annualized
NA-not available due to incomplete data;
NS-fund not in existence for entire period

Source: Morningstar, Ltd
1 Oliver's Yard, 55-71 City Road
London EC1Y 1HQ United Kingdom
www.morningstar.co.uk; **Email**: mediaservice@morningstar.com
Phone: +44 (0)203 107 0038; **Fax**: +44 (0)203 107 0001

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ AHW CAPITAL MANAGEMENT									
Tel (+49) 1805 - 23 82 82									
www.ahw-capital.com									
AHW Top-Div.Int.	GL	EQ	LUX	02/05	EUR	47.75	-9.9	17.0	-26.5
■ ALLIANCE BERNSTEIN									
www.alliancebernstein.com/investments Tel. +800 2263 8637									
Am Eq Blend A	OT	OT	LUX	02/05	USD	9.83	-5.2	28.0	-14.1
Am Eq Blend B	US	EQ	LUX	02/05	USD	9.23	-5.3	26.8	-14.9
Am Growth A	US	EQ	LUX	02/05	USD	29.01	-7.1	28.9	-2.8
Am Growth AX	US	EQ	LUX	02/05	USD	31.33	-7.1	29.6	-3.8
Am Growth B	US	EQ	LUX	02/05	USD	24.37	-7.2	27.6	-5.3
Am Growth C	US	EQ	LUX	02/05	USD	26.23	-7.2	28.3	-4.8
Am Growth I	US	EQ	LUX	02/05	USD	32.18	-7.0	29.9	-3.6
Am Income A	US	BD	LUX	02/05	USD	8.47	0.5	25.1	5.5
Am Income A2	US	BD	LUX	02/05	USD	19.25	1.1	25.7	5.8
Am Income A2	OT	OT	NA	02/05	HKD	149.60	1.1	25.7	5.8
Am Income AT	OT	OT	NA	02/05	HKD	65.75	1.1	25.7	5.8
Am Income AT	US	BD	LUX	02/05	USD	8.46	1.1	25.7	5.8
Am Income B	US	BD	LUX	02/05	USD	8.47	0.5	24.2	4.7
Am Income B2	US	BD	LUX	02/05	USD	16.58	1.0	24.8	5.0
Am Income B2	OT	OT	NA	02/05	HKD	128.85	1.0	24.8	5.0
Am Income BT	OT	OT	NA	02/05	HKD	66.14	0.6	24.4	4.8
Am Income BT	US	BD	LUX	02/05	USD	8.51	0.6	24.4	4.8
Am Income C	US	BD	LUX	02/05	USD	8.47	0.5	24.5	5.0
Am Income C2	US	BD	LUX	02/05	USD	24.66	1.1	25.2	5.3
Am Income I	US	BD	LUX	02/05	USD	8.47	0.5	25.8	6.1
Am Value A	US	EQ	LUX	02/05	USD	8.20	-3.9	15.7	-13.5
Am Value B	US	EQ	LUX	02/05	USD	7.54	-3.9	14.4	-14.3
Am Value C	US	EQ	LUX	02/05	USD	8.19	-4.0	15.0	-13.9
Am Value I	US	EQ	LUX	02/05	USD	8.83	-3.8	16.5	-12.8
Emg Mkts Debt A	GL	BD	LUX	02/05	USD	15.39	-1.1	40.7	6.8
Emg Mkts Debt A2	GL	BD	LUX	02/05	USD	20.02	-0.4	41.7	7.2
Emg Mkts Debt AT	GL	BD	LUX	02/05	USD	15.45	-1.0	41.0	7.0
Emg Mkts Debt B	GL	BD	LUX	02/05	USD	15.39	-1.1	39.5	5.8
Emg Mkts Debt B2	GL	BD	LUX	02/05	USD	19.26	-0.5	40.3	6.1
Emg Mkts Debt BT	GL	BD	LUX	02/05	USD	15.42	-1.0	39.5	5.9
Emg Mkts Debt C	GL	BD	LUX	02/05	USD	15.39	-1.1	40.2	6.4
Emg Mkts Debt C2	GL	BD	LUX	02/05	USD	19.66	-0.5	41.0	6.7
Emg Mkts Debt I	GL	BD	LUX	02/05	USD	15.39	-1.1	41.4	7.4
Emg Mkts Growth A	GL	EQ	LUX	02/05	USD	31.05	-10.4	61.7	-14.7
Emg Mkts Growth B	GL	EQ	LUX	02/05	USD	26.29	-10.5	60.1	-15.6
Emg Mkts Growth C	GL	EQ	LUX	02/05	USD	26.90	-10.5	61.0	-15.1
Emg Mkts Growth I	GL	EQ	LUX	02/05	USD	34.45	-10.3	63.0	-14.0
Eur Growth A	OT	OT	LUX	02/05	USD	9.02	-6.1	17.2	-16.3
Eur Growth A	OT	OT	LUX	02/05	EUR	6.60	-6.1	17.2	-16.3
Eur Growth B	OT	OT	LUX	02/05	EUR	5.93	-6.2	16.0	-17.1
Eur Growth B	OT	OT	LUX	02/05	USD	8.11	-6.2	16.0	-17.1
Eur Growth C	EU	EQ	LUX	02/05	EUR	4.99	-6.4	16.6	-16.8
Eur Growth I	OT	OT	LUX	02/05	EUR	9.84	-6.1	18.0	-15.7
Eur Growth I	OT	OT	LUX	02/05	EUR	7.20	-6.1	18.0	-15.7
Eur Income A	OT	OT	LUX	02/05	EUR	6.69	1.4	40.7	5.5
Eur Income A	OT	OT	LUX	02/05	USD	9.15	1.4	40.7	5.5
Eur Income A2	OT	OT	LUX	02/05	EUR	13.13	2.0	41.5	5.8
Eur Income A2	OT	OT	LUX	02/05	USD	17.95	2.0	41.5	5.8
Eur Income AT	EU	BD	LUX	02/05	EUR	6.69	2.2	41.7	5.9
Eur Income B	OT	OT	LUX	02/05	EUR	6.69	1.4	40.0	4.8
Eur Income B	OT	OT	LUX	02/05	USD	9.15	1.4	40.0	4.8
Eur Income B2	OT	OT	LUX	02/05	EUR	12.21	2.0	40.5	5.1
Eur Income B2	OT	OT	LUX	02/05	USD	16.69	2.0	40.5	5.1
Eur Income BT	EU	BD	LUX	02/05	EUR	6.69	1.5	40.0	4.9
Eur Income C	OT	OT	LUX	02/05	EUR	6.69	1.4	40.2	5.1
Eur Income C	OT	OT	LUX	02/05	USD	9.15	1.4	40.2	5.1
Eur Income C2	OT	OT	LUX	02/05	USD	13.09	2.0	41.1	5.4
Eur Income C2	OT	OT	LUX	02/05	USD	17.89	2.0	41.1	5.4
Eur Income I	OT	OT	LUX	02/05	EUR	6.69	1.4	41.3	6.1
Eur Income I	OT	OT	LUX	02/05	USD	9.15	1.4	41.3	6.1
Eur Strat Value A	OT	OT	LUX	02/05	EUR	8.00	-6.2	18.2	-19.5
Eur Strat Value A	OT	OT	LUX	02/05	USD	10.94	-6.2	18.2	-19.5
Eur Strat Value I	OT	OT	LUX	02/05	EUR	8.20	-6.2	19.4	-18.7
Eur Strat Value I	OT	OT	LUX	02/05	USD	11.21	-6.2	19.4	-18.7
Eur Value A	OT	OT	LUX	02/05	EUR	8.58	-6.7	21.7	-16.4
Eur Value A	OT	OT	LUX	02/05	USD	11.73	-6.7	21.7	-16.4
Eur Value B	OT	OT	LUX	02/05	USD	10.77	-6.9	20.5	-17.3
Eur Value B	OT	OT	LUX	02/05	EUR	7.88	-6.9	20.5	-17.3
Eur Value C	OT	OT	LUX	02/05	USD	11.33	-6.7	21.2	-16.8
Eur Value C	OT	OT	LUX	02/05	EUR	8.29	-6.7	21.2	-16.8
Eur Value I	OT	OT	LUX	02/05	USD	13.56	-6.6	22.8	-15.8
Eur Value I	OT	OT	LUX	02/05	EUR	9.92	-6.6	22.8	-15.8
Gl Balanced (Euro) A	OT	OT	LUX	02/05	USD	15.28	-2.5	20.7	-10.4
Gl Balanced (Euro) B	OT	OT	LUX	02/05	USD	14.87	-2.6	19.4	-11.3
Gl Balanced (Euro) C	OT	OT	LUX	02/05	USD	15.16	-2.5	20.4	-10.7
Gl Balanced (Euro) I	OT	OT	LUX	02/05	USD	15.57	-2.5	NS	NS
Gl Balanced A	US	BA	LUX	02/05	USD	15.82	-4.0	25.0	-10.8
Gl Balanced B	US	BA	LUX	02/05	USD	15.03	-4.1	23.7	-11.7
Gl Balanced C	OT	OT	LUX	02/05	USD	15.58	-4.1	24.5	-11.1
Gl Balanced C	OT	OT	LUX	02/05	EUR	11.40	-4.1	24.5	-11.1
Gl Balanced I	US	BA	LUX	02/05	USD	16.42	-3.9	25.8	-10.2
Gl Bond A	US	BD	LUX	02/05	USD	9.36	1.3	15.8	4.6
Gl Bond A2	US	BD	LUX	02/05	USD	16.29	1.7	16.3	4.8
Gl Bond A2	OT	OT	NA	02/05	HKD	126.60	1.7	16.3	4.8
Gl Bond AT	OT	OT	LUX	02/05	HKD	72.66	1.4	15.8	4.6
Gl Bond AT	US	BD	LUX	02/05	USD	9.35	1.4	15.8	4.6
Gl Bond B	US	BD	LUX	02/05	USD	9.36	1.3	14.8	3.5
Gl Bond B2	US	BD	LUX	02/05	USD	14.25	1.6	15.1	3.7
Gl Bond B2	OT	OT	NA	02/05	HKD	110.75	1.6	15.1	3.7
Gl Bond BT	OT	OT	LUX	02/05	HKD	72.98	1.4	14.9	3.6
Gl Bond BT	US	BD	LUX	02/05	USD	9.39	1.4	14.9	3.6
Gl Bond C	US	BD	LUX	02/05	USD	9.36	1.3	15.3	4.1
Gl Bond C2	US	BD	LUX	02/05	USD	14.13	1.7	15.8	4.3
Gl Bond I	US	BD	LUX	02/05	USD	9.36	1.3	16.4	5.1
Gl Conservative A	US	BA	LUX	02/05	USD	14.67	-1.3	17.6	-4.1
Gl Conservative A2	US	BA	LUX	02/05	USD	16.70	-1.4	17.6	-4.1
Gl Conservative B	US	BA	LUX	02/05	USD	14.65	-1.4	16.4	-5.0
Gl Conservative B2	US	BA	LUX	02/05	USD	15.86	-1.4	16.4	-5.0
Gl Conservative C	US	BA	LUX	02/05	USD	14.66	-1.3	17.1	-4.5
Gl Conservative C2	US	BA	LUX	02/05	USD	16.33	-1.4	17.1	-4.5
Gl Conservative I	US	BA	LUX	02/05	USD	14.75	-1.3	18.6	-3.3
Gl Eq Blend A	GL	EQ	LUX	02/05	USD	10.76	-7.7	29.3	-21.4
Gl Eq Blend B	GL	EQ	LUX	02/05	USD	10.08	-7.9	27.9	-22.2
Gl Eq Blend C	GL	EQ	LUX	02/05	USD	10.56	-7.9	28.6	-21.7
Gl Eq Blend I	GL	EQ	LUX	02/05	USD	11.35	-7.7	30.3	-20.8
Gl Growth A	GL	EQ	LUX	02/05	USD	38.57	-8.0	25.3	-22.1
Gl Growth B	GL	EQ	LUX	02/05	USD	32.17	-8.0	24.1	-22.9
Gl Growth C	GL	EQ	LUX	02/05	USD	37.00	-8.0	24.7	-22.5
Gl Growth I	GL	EQ	LUX	02/05	USD	42.87	-7.9	26.3	-21.5
Gl High Yield A	US	BD	LUX	02/05	USD	4.33	0.0	54.9	5.1
Gl High Yield A2	US	BD	LUX	02/05	USD	9.34	0.9	56.2	5.4
Gl High Yield A2	OT	OT	NA	02/05	HKD	72.59	0.9	56.2	5.4
Gl High Yield AT	OT	OT	NA	02/05	HKD	33.34	0.9	56.0	5.4
Gl High Yield AT	US	BD	LUX	02/05	USD	4.29	0.9	56.0	5.4
Gl High Yield B	US	BD	LUX	02/05	USD	4.33	0.0	53.1	3.8
Gl High Yield B2	US	BD	LUX	02/05	USD	15.00	0.8	54.6	4.3
Gl High Yield B2	OT	OT	NA	02/05	HKD	116.57	0.8	54.6	4.3
Gl High Yield BT	OT	OT	NA	02/05	HKD	33.96	0.2	54.0	4.3
Gl High Yield BT	US	BD	LUX	02/05	USD	4.37	0.2	54.0	4.3
Gl High Yield C	US	BD	LUX	02/05	USD	4.33	0.0	54.1	4.5
Gl High Yield C2	US	BD	LUX	02/05	USD	13.84	0.9	55.5	4.9
Gl High Yield I	US	BD	LUX	02/05	USD	4.33	0.0	55.9	6.0
Gl Thematic Res. A	OT	OT	LUX	02/05	USD	13.56	-7.9	63.6	-3.1
Gl Thematic Res. B	OT	OT	LUX	02/05	USD	11.85	-8.1	61.9	-4.0
Gl Thematic Res. I	OT	OT	LUX	02/05	USD	15.13	-7.9	65.0	-2.3
Gl Value A	GL	EQ	LUX	02/05	USD	10.30	-7.5	33.6	-18.9
Gl Value B	GL	EQ	LUX	02/05	USD	9.45	-7.7	32.2	-21.4
Gl Value C	GL	EQ	LUX	02/05	USD	10.00	-7.7	33.0	-21.0
Gl Value I	GL	EQ	LUX	02/05	USD	10.96	-7.5	34.6	-18.3
Greater China A	AS	EQ	LUX	02/05	USD	35.95	-10.2	45.7	-15.3
Greater China B	AS	EQ	LUX	02/05	USD	31.78	-10.3	44.3	-16.2
Greater China C	AS	EQ	LUX	02/05	USD	35.48	-10.2	45.1	-15.7
India Growth A	OT	OT	LUX	02/05	USD	117.04	-7.8	NS	NS
India Growth AX	OT	OT	LUX	02/05	USD	102.34	-7.8	77.7	-8.6
India Growth B	OT	OT	LUX	02/05	USD	122.49	-7.9	NS	NS
India Growth BX	OT	OT	LUX	02/05	USD	87.39	-7.8	75.9	-9.5
India Growth I	EA	EQ	LUX	02/05	USD	106.11	-7.7	78.5	-8.3
Int'l Health Care A	OT	EQ	LUX	02/05	USD	133.85	-2.6	13.4	-7.8
Int'l Health Care B	OT	EQ	LUX	02/05	USD	112.78	-2.7	12.3	-8.8
Int'l Health Care C	OT	EQ	LUX	02/05	USD	128.22	-2.7	12.9	-8.3
Int'l Health Care I	OT	EQ	LUX	02/05	USD	146.37	-2.5	14.4	-7.1
Int'l Technology A	OT	EQ	LUX	02/05	USD	101.46	-8.1	39.7	-8.1
Int'l Technology B	OT	EQ	LUX	02/05	USD	87.83	-8.2	38.3	-9.0
Int'l Technology C	OT	EQ	LUX	02/05	USD	98.01	-8.1	39.1	-8.5
Int'l Technology I	OT	EQ	LUX	02/05	USD	113.86	-8.0	40.8	-5.7
Japan Eq Blend A	JP	EQ	LUX	02/05	JPY	5852.00	-2.9	17.6	-20.0
Japan Eq Blend B	JP	EQ	LUX	02/05	JPY	5641.00	-3.0	16.4	-20.9
Japan Eq Blend C	JP	EQ	LUX	02/05	JPY	5755.00	-2.9	17.1	-20.4
Japan Growth A	JP	EQ	LUX	02/05	JPY	5593.00	-4.8	9.6	-21.1
Japan Growth B	JP	EQ	LUX	02/05	JPY	5392.00	-4.9	8.6	-21.9
Japan Growth C	JP	EQ	LUX	02/05	JPY	5502.00	-4.8	9.2	-21.5
Japan Strat Value A	JP	EQ	LUX	02/05	JPY	6076.00	-0.7	25.7	-19.3
Japan Strat Value B	JP	EQ	LUX	02/05	JPY	5863.00	-0.8	24.5	-20.1
Japan Strat Value C	JP	EQ	LUX	02/05	JPY	5972.00	-0.8	25.1	-19.7
Real Estate Sec. A	OT	EQ	LUX	02/05	USD	13.36	-6.9	45.9	-17.0
Real Estate Sec. B	OT	EQ	LUX	02/05	USD	12.20	-7.0	44.4	-17.9
Real Estate Sec. I	OT	EQ	LUX	02/05	USD	14.37	-6.8	47.1	-16.3
Short Mat Dollar A	US	BD	LUX	02/05	USD	7.27	0.0	13.7	-5.3
Short Mat Dollar A2	US	BD	LUX	02/05	USD	9.84	0.5	14.2	-5.2
Short Mat Dollar AT	US	BD	LUX	02/05	USD	7.26	0.1	13.7	-5.4
Short Mat Dollar B	US	BD	LUX	02/05	USD	7.27	0.0	13.2	-5.8
Short Mat Dollar B2	US	BD	LUX	02/05	USD	9.78	0.4	13.6	-5.6
Short Mat Dollar BT	OT	OT	LUX	02/05	USD	7.28	0.1	NS	-6.0
Short Mat Dollar C	US	BD	LUX	02/05	USD	7.27	0.0	13.2	-5.8
Short Mat Dollar C2	US	BD	LUX	02/05	USD	13.83	0.4	13.5	-5.6
Short Mat Dollar I	US	BD	LUX	02/05	USD	7.27	0.0	14.2	-4.8

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ ALEXANDRA INVESTMENT MANAGEMENT									
Tel: +1 212 301 1800 Fax: +1 212 301 1810									
Alexandra Convertible Bond Fund I, Ltd. (Class A)	OT	OT	VGB	12/31	USD	1691.35	74.6	74.6	NS
■ CREDIT PACIFIC ASSET MANAGMENT									
www.creditpacific.com									
CPS-Master Priv Fund	GL	OT	WSM	02/03	USD	101.90	1.9	23.8	21.4
■ PLATINUM CAPITAL MANAGEMENT									
Tel: +44 207 024 9840, www.platinumfunds.net									
Platinm-All Star	OT	OT	CYM	11/30	USD	96.31	14.7	11.9	-12.2
Platinm-All Weather	OT	OT	USA	10/31	USD	129.92	2.4	3.2	3.8
Platinm-Dynasty	OT	OT	USA	11/30	USD	113.20	10.2	10.7	-29.6
Platinm-Emancipation	OT	OT	USA	12/31	USD	93.12	24.4	24.4	-8.6
Platinm-Equity Plus	OT	OT	USA	05/29	USD	35.02	-18.2	-63.7	-45.6
Platinm-Gbl Dividend	OT	OT	CYM	10/30	USD	60.64	29.4	15.3	-31.8
Platinm-Nordic	OT	OT	CYM	12/31	SEK	617.36	13.2	13.2	-16.2
Platinm-Premier	OT	OT	CYM	12/31	USD	21.20	-55.9	-66.0	-44.3
Platinm-Turnberry	OT	OT	USA	12/31	USD	61.28	NS	NS	-28.6
■ SUPERFUND ASSET MANAGEMENT GMBH									
For info about open funds, contact info@superfund.com and www.superfund.com									
**Closed for New Investments*									
Superfund Cayman*	OT	OT	CYM	02/02	USD	33.22	-18.5	-60.6	-14.5
Superfund GCT USD*	GL	EQ	LUX	02/02	USD	1943.00	-11.5	-51.2	-8.8
Superfund Green Gold A (SPC)	OT	OT	CYM	02/02	USD	893.00	-7.4	-26.8	-2.8
Superfund Green Gold B (SPC)	OT	OT	CYM	02/02	USD	824.61	-11.9	-41.9	-8.9
Superfund Q-AG*	OT	OT	AUT	02/02	EUR	6043.00	-8.7	-31.6	-2.3
■ WINTON CAPITAL MANAGEMENT LTD									
Tel: +44 (0)20 7610 5350 Fax: +44 (0)20 7610 5301									
Winton Evolution EUR Cls H	OT	OT	CYM	12/31	EUR	945.08	NS	NS	NS
Winton Evolution GBP Cls G	OT	OT	CYM	12/31	GBP	949.08	NS	NS	NS
Winton Evolution USD Cls F	OT	OT	CYM	12/31	USD	1199.12	-5.4	-5.4	2.0
Winton Futures EUR Cls C	OT	OT	VGB	12/31	EUR	196.82	-4.4	-4.4	7.7
Winton Futures GBP Cls D	OT	OT	VGB	12/31	GBP	212.85	-4.1	-4.1	8.7
Winton Futures JPY Cls E	OT	OT	VGB	12/31	JPY	13885.82	-5.9	-5.9	5.0
Winton Futures USD Cls B	OT	OT	VGB	12/31	USD	699.39	-4.6	-4.6	7.4
■ ALLIANZ GLOBAL INVESTORS KAPITALANLAGEGESELLSCHAFT									
Concentra AE	EU	EQ	DEU	02/08	EUR	47.90	-8.2	28.7	-8.6
Industria AE	EU	EQ	DEU	02/08	EUR	67.85	-5.1	23.7	-13.6
InternRent AE	EU	BD	DEU	02/08	EUR	37.20	5.6	3.2	10.0
■ CHARTERED ASSET MANAGEMENT PTE LTD - TEL NO: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited	AS	EQ	MUS	01/29	USD	272481.56	-0.7	107.7	7.0

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MARKETS

U.S. stocks waver; Greek stocks skid

By Donna Kardos Yesalavich And Kristina Peterson

NEW YORK—U.S. stocks wavered Monday, as consumer plays rose but financial stocks fell.

The Dow Jones Industrial Average was down 15.72 points, or 0.2%, at 9996.51 in midday trade. **Home Depot** was the measure's best performer, up 3.2% after Morgan Stanley upgraded its investment rating on the stock to overweight from equal-weight.

ABREAST OF THE MARKET

The Dow's financial components weighed. **Bank of America** fell 2.1%, while **J.P. Morgan Chase** dropped 1.1%. The sector continues to be plagued by worries over how it may be affected by the Obama administration's plans for more regulation.

The technology-heavy Nasdaq Composite rose 0.3% to 2148.13. The Standard & Poor's 500-share index climbed 0.2% to 1068.09, with its consumer-discretionary sector leading to the upside following Home Depot's upgrade and forecast-beating earnings from **Hasbro**.

Hasbro jumped 13%. The toy company also said it expects to increase revenue and earnings this year, while analysts had been expecting declines.

European stocks

Greek stocks fell for a fourth consecutive session while most European markets firmed.

The pan-European Dow Jones Stoxx 600 Index added 0.7% to 239.04. Among major national indexes, the U.K. FTSE 100 index rose 0.6% to 5092.33, the German DAX firmed 0.9% to 5484.85 and the French CAC-40 index advanced 1.2% to 3607.27.

But the Athens Stock Exchange's general index tumbled 3.9%, bringing losses for the year to 18%.

"What we are clearly seeing is not a sell-off in just specific Greek shares; we are seeing a wholesale selling off of the country," said Nicholas Douzinas at Intersec Securities in Athens.

Banking stocks were especially hard hit amid speculation that they were facing financing difficulties. Market leader **National Bank of Greece** dropped 8.5%.

Both Greek and foreign banking officials privately denied speculation that the Greek banks were facing financing difficulties. Analysts said that the selloff in bank stocks reflected the difficult environment facing Greek banks.

The higher yields that investors are demanding for Greek debt indirectly affects their borrowing costs.

Elsewhere, **SAP** fell 2.5% after the software giant's chief executive Leo Apotheker unexpectedly resigned late Sunday.

Miner **Randgold Resources** climbed 6.4% on its fourth-quarter earnings report.

Euro ekes out small advance on the dollar

By Bradley Davis

NEW YORK—The euro achieved a small gain against the dollar Monday but was kept under pressure by festering issues of sovereign debt in Greece that threatened to spread to Portugal and Spain.

"The market is dipping its toe back in the risk water," said Brian Dolan, chief currency strategist at Forex.com in Bedminster, N.J.

CURRENCY MARKETS

While the euro and other risk-positive currencies might enjoy a brief respite from the recent pounding they have taken, riskier assets are likely to come under pressure again as concern over whether countries such as Greece can service their debt weighs on markets, he said.

By late morning in New York, the euro had strengthened to $1.3698 from $1.3665 late Friday. The dollar weakened slightly to 89.28 yen from 89.38 yen. The euro moved to 122.17 yen from 122.14 yen. The U.K. pound strengthened to $1.5648 from $1.5631. The dollar weakened to 1.0691 Swiss francs from 1.0727 francs.

The euro earlier fell to near the lowest levels since May. Finance ministers in Group of Seven nations that use the euro said that they would "continue to monitor" Greece's implementation of a belt-tightening plan, but the statement didn't ease investors' worry over sovereign debt, analysts said.

Nikkei falls below 10000 as euro-zone woes weigh

By V. Phani Kumar And Shri Navaratnam

Japanese shares fell 1.1% Monday, with the Nikkei index finishing below 10000 for the first time in nearly two months, as most Asian stock markets declined modestly on uncertainty over sovereign debt in the euro zone.

ASIAN-PACIFIC STOCKS

Sentiment was hurt by worries that Greece, Spain and Portugal may not be able to bring their budgets under control. Some analysts said markets were overreacting to those concerns.

In Tokyo, the Nikkei Stock Average of 225 companies fell 105.27 points to 9951.82. Exporters paced the declines, with **Canon** dropping 1.5% and **Bridgestone** falling 3.1%, while **Panasonic** slid 5.3%. **Toyota Motor** dropped 1.1% on concerns that it may have to recall its popular Prius hybrid model.

Kirin Holdings slumped 7.4% in heavy trade after the Japanese brewer said it ended merger talks with unlisted Suntory Holdings because of differences over whether the integrated entity would be listed.

Financial stocks were broadly higher in Tokyo after heavy losses recently, limiting the market's decline. **Resona Holdings** gained 2.3% and **Nomura Holdings** added 1.1%.

In Seoul, the Kospi fell 0.9% to 1552.79, with financial issues leading the declines. Foreign investors continued selling stocks on the concerns over European sovereign debt. **KB Financial Group** fell 2.3%, **Shinhan Financial Group** dropped 3.3%, and **Woori Finance Holdings** skidded 5.1%.

Kumho Asiana Group units tumbled on talk of receivership after owners of the group rejected creditor demands that they offer their stock holdings and assets as collateral for fresh loans by a Sunday deadline, analysts said.

Trade in **Kumho Industrial**'s shares was halted early Monday after the Korean exchange asked the company to clarify speculation that creditors are considering court receivership for the company. **Kumho Tire** fell 5.8%, **Kumho Petrochemical** was off 9.6%, and **Asiana Airlines** gave up 5.7%.

Technology stocks rose on bargain hunting, with **Hynix Semiconductor** adding 1.9% and **LG Display** rising 2.6%. Defensive telecom stocks also did well, with **KT Corp.** climbing 3% and **SK Telecom** adding 2.3%.

In Hong Kong, the Hang Seng Index declined 0.6% to 19550.89. Oil shares fell on weak crude prices. **Cnooc** fell 1.7% and **PetroChina** was down 1.8%.

China Resources Land fell 1% despite news the stock will be included in the Hang Seng Index on March 8. Traders said the drop was due to fund managers' concerns over the weakness of mainland developers, because of expectations of more potential policies targeting speculative demand.

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GAM

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
GAM Arbitrage Op	OT	OT	VGB	01/29	USD	1281.74	3.1	26.0	-6.3
GAM Asia Eq Hdg JPY Op	GL	EQ	VGB	02/01	JPY	14022.33	-9.7	59.1	2.5
GAM Asia Equity Hedge US	OT	OT	VGB	02/01	USD	261.70	-9.9	59.8	3.9
GAM Asia Equity USD	OT	OT	VGB	02/05	USD	584.37	-10.6	55.1	-12.5
GAM Asia-Pacific Eq USD	OT	OT	VGB	02/02	USD	1276.23	-0.5	28.0	-12.3
GAM Com Glb Bal EUR Op	US	BA	VGB	01/29	EUR	95.18	-0.9	18.6	-6.9
GAM Com Glb Bal USD Op	US	BA	VGB	01/29	USD	126.69	-0.9	18.6	-6.9
GAM Comp Glb Eq EUR Op	GL	EQ	VGB	01/29	EUR	96.36	-3.0	27.9	-12.8
GAM Comp Glb Eq USD Op	GL	EQ	VGB	01/29	USD	123.73	-3.0	27.9	-12.8
GAM Comp Glb Gr EUR Op	US	BA	VGB	01/29	EUR	85.73	-2.1	20.1	-10.4
GAM Comp Glb Gr USD Op	US	BA	VGB	01/29	USD	124.45	-2.1	20.1	-10.4
GAM CompAbsRT EUR Op	OT	OT	VGB	09/30	EUR	141.71	9.1	0.1	-6.9
GAM CompAbsRT SGD Op	OT	OT	VGB	09/30	SGD	102.21	9.2	-0.1	-8.3
GAM CompAbsRT USD Op	OT	OT	VGB	09/30	USD	845.66	9.5	0.7	-7.0
GAM Cptal Apprec Eq Inc	US	EQ	VGB	01/29	USD	233.71	-6.0	36.8	-9.1
GAM Cross Trading Inc	OT	OT	VGB	01/29	USD	463.36	-0.5	3.9	4.2
GAM Diversity CHF Op	OT	OT	VGB	01/29	CHF	93.70	-0.6	3.1	-6.1
GAM Diversity EUR Op	OT	OT	VGB	01/29	EUR	644.42	-0.6	3.8	-4.6
GAM Diversity USD 2.5XL	OT	OT	VGB	01/29	USD	77.01	-1.6	6.6	-17.7
GAM Diversity USD Op	OT	OT	VGB	01/29	USD	676.99	-0.6	3.8	-5.1
GAM Dvrsty II CHF Op	OT	OT	VGB	01/29	CHF	98.76	-0.7	2.4	-5.9
GAM Dvrsty II EUR Op	OT	OT	VGB	01/29	EUR	137.79	-0.7	3.2	-4.8
GAM Dvrsty II USD Op	OT	OT	VGB	01/29	USD	208.73	-0.7	3.0	-5.2
GAM DvrstyIII EUR Op	OT	OT	VGB	01/29	EUR	114.71	-0.7	3.1	-5.0
GAM DvrstyIII USD Op	OT	OT	VGB	01/29	USD	121.15	-0.7	3.3	-5.1
GAM Euro Eq Hdg EUR Op	EU	EQ	VGB	02/01	EUR	220.65	0.8	12.9	-2.7
GAM Euro Eq Hdg USD Op	OT	OT	VGB	02/01	USD	204.82	0.7	14.0	-1.2
GAM European Equity USD	OT	OT	VGB	02/04	USD	268.94	-8.3	27.5	-14.2
GAM GAMCO	OT	EQ	VGB	02/02	USD	796.10	-1.8	42.9	-8.4
GAM Gb EmMkts Hdg EUROp	OT	OT	VGB	02/01	EUR	97.35	-0.5	13.8	-14.8
GAM Gb EmMkts Hdg USDOp	OT	OT	VGB	02/01	USD	102.72	-0.4	14.3	-14.1
GAM Gbl Divers USD Inc.	GL	EQ	VGB	02/01	USD	252.25	1.0	35.2	-4.4
GAM Grtr China Eq Hdg Op	GL	EQ	VGB	02/01	USD	258.13	-10.0	95.3	15.1
GAM Intrst Trend II	GL	BD	VGB	01/29	USD	102.96	9.4	60.6	-4.7
GAM Intrst Trend Inc	OT	OT	VGB	01/29	USD	274.21	9.0	76.3	-2.6
GAM Japan Eq Hdg EUR Op	AS	EQ	VGB	02/01	EUR	121.44	4.1	10.8	-2.6
GAM Japan Eq Hdg USD Op	OT	OT	VGB	02/01	USD	125.40	2.8	16.4	-15.7
GAM Japan Eq Hdg YEN Open	AS	EQ	VGB	02/01	JPY	8634.94	2.7	16.7	-14.7
GAM Japan USD	JP	EQ	VGB	02/05	USD	1110.43	0.7	19.0	-14.3
GAM Japan YEN	JP	EQ	VGB	02/05	JPY	8745.36	-0.9	20.5	-20.0
GAM Money Mkt EuroOp	EU	MM	VGB	02/04	EUR	51.15	0.1	0.1	1.5
GAM Money Mkt USD	US	MM	VGB	02/04	USD	100.01	0.1	0.0	0.7
GAM Multi-Arb EUR Op	OT	OT	VGB	01/29	EUR	111.88	0.6	0.6	-8.6
GAM Multi-Arb USD Op	OT	OT	VGB	01/29	USD	116.76	0.6	0.8	-9.0
GAM Multi-China EUR Op	OT	OT	VGB	01/29	EUR	161.24	-4.0	7.9	-6.3
GAM Multi-China USD Op	OT	OT	VGB	01/29	USD	169.83	-3.8	8.7	-6.9
GAM Multi-Emer Mkts GBP	OT	OT	VGB	01/29	GBP	129.74	-1.3	24.0	-0.2
GAM Multi-Emer Mkts USD	OT	OT	VGB	01/29	USD	642.13	-1.4	24.0	-0.7
GAM Multi-Eur EUR Op	OT	OT	VGB	01/29	EUR	267.33	-0.6	5.5	-7.0
GAM Multi-Eur II EUR Op	OT	OT	VGB	01/29	EUR	137.55	-0.6	5.5	-7.0
GAM Multi-Eur II USD Op	OT	OT	VGB	01/29	USD	112.47	-0.5	5.2	-8.1
GAM Multi-Eur USD Op	OT	OT	VGB	01/29	USD	465.05	-0.6	5.3	-8.0
GAM Multi-Nth Am EUR Special	OT	OT	VGB	01/29	EUR	133.17	-0.6	9.4	-1.6
GAM Multi-Nth Am USD Special	OT	OT	VGB	01/29	USD	216.83	-0.6	10.3	-1.8
GAM Multi-Pac EUR Op	GL	EQ	VGB	01/29	EUR	140.30	-2.2	2.0	-3.0
GAM Multi-Pac USD Op	OT	OT	VGB	01/29	USD	162.00	-2.1	2.2	-3.3
GAM Portable Dvr/S&P500	OT	OT	VGB	08/24	USD	70.11	17.7	-27.7	-22.9
GAM Selection Hdg	US	EQ	VGB	01/29	USD	2661.43	0.9	63.5	11.4
GAM Sing/Malaysia	AS	EQ	VGB	02/05	USD	2305.49	-8.7	50.4	-11.0
GAM Sterling Spe Bd Inc	OT	OT	VGB	02/01	GBP	238.93	3.9	47.8	5.1
GAM Trading EUR Inc	OT	OT	VGB	01/29	EUR	323.33	-0.6	3.4	5.3
GAM Trading USD Inc	OT	OT	VGB	01/29	USD	967.86	-0.5	3.7	4.7
GAM Trdg II IncEUR Op	OT	OT	VGB	01/29	EUR	138.29	-0.6	3.2	5.2
GAM Trdg II IncUSD Op	OT	OT	VGB	01/29	USD	314.27	-0.5	3.8	4.7
GAM Trdg IV IncEUR Op	OT	OT	VGB	01/29	EUR	145.89	-0.6	3.0	4.9
GAM Trdg IV IncUSD Op	OT	OT	VGB	01/29	USD	153.64	-0.6	3.5	4.5
GAM Trdg V IncEUR Op	OT	OT	VGB	01/29	EUR	123.71	-0.6	3.0	4.8
GAM Trdg V IncUSD Op	OT	OT	VGB	01/29	USD	128.91	-0.5	3.4	4.5
GAM TrdgIII IncEUR Op	OT	OT	VGB	01/29	EUR	156.01	-0.6	3.1	5.0
GAM TrdgIII IncUSD Op	OT	OT	VGB	01/29	USD	161.61	-0.6	3.5	4.6
GAM USDSpecBondInc	US	BD	VGB	02/01	USD	556.65	5.0	81.7	8.9
GAM Worldwide	GL	EQ	VGB	02/04	USD	2075.86	-6.7	31.1	-11.0
GAMut Investments	OT	OT	VGB	01/31	USD	7606.51	0.3	1.5	7.3

■ GAM Star Fund Plc

GAMStar-AsEqCHF Ord Ac	AS	EQ	IRL	02/04	CHF	10.58	-4.2	45.8	-11.8
GAMStar-AsEqEUR Ord Ac	AS	EQ	IRL	02/04	EUR	11.57	-2.9	50.8	-6.6
GAMStar-AsEqGBP Ord Ac	AS	EQ	IRL	02/04	GBP	1.50	-4.6	47.7	0.6
GAMStar-AsEqUSD Ord Ac	AS	EQ	IRL	02/04	USD	12.48	-7.0	61.4	-9.9
GAMStar-AsPacEqEUR Acc	AS	EQ	IRL	02/04	EUR	103.19	2.0	21.5	-10.1
GAMStar-AsPacEqEUR Inc	AS	EQ	IRL	02/04	EUR	99.87	2.0	21.5	-10.1
GAMStar-ContEurEqEUR Ac	EU	EQ	IRL	02/04	EUR	10.49	-4.6	22.4	-8.4
GAMStar-EurpEqEUR Acc	EU	EQ	IRL	02/04	EUR	175.63	-4.1	21.4	-10.9
GAMStar-EurpEqEUR Inc	EU	EQ	IRL	02/04	EUR	160.48	-4.1	21.4	-10.9
GAMStar-EurpEqUSD Acc	EU	EQ	IRL	02/04	USD	14.70	-8.1	29.7	-14.0
GAMStar-EurpEqUSD Inc	EU	EQ	IRL	02/04	USD	13.33	-8.1	29.7	-14.1
GAMStar-FrontierOppUSD Acc	GL	EQ	IRL	02/04	USD	5.47	-0.3	39.4	NS
GAMStar-JpnEq EUR Acc	JP	EQ	IRL	02/04	EUR	92.89	5.6	13.6	-8.6
GAMStar-JpnEq EUR Inc	JP	EQ	IRL	02/04	EUR	92.89	5.6	13.6	-8.6
GAMStar-JpnEq JPY Acc	JP	EQ	IRL	02/04	JPY	932.27	1.2	21.0	-19.1
GAMStar-JpnEq USD Acc	JP	EQ	IRL	02/04	USD	11.46	3.1	17.2	-13.7
GAMStar-World EqUSD Acc	GL	EQ	IRL	02/04	USD	2090.97	-6.6	32.1	-10.5

LIST YOUR FUNDS

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carson.wong@dowjones.com

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■ MANULIFE ASSET MANAGEMENT TEL:(852)2108 1110
Internet:http://www.manulife.com.hk 47/F Manulife Plaza, Causeway Bay, Hong Kong

American Growth	US	EQ	LUX	02/05	USD	14.41	-5.7	25.5	-12.2
American Growth AA	US	EQ	LUX	02/08	USD	0.83	-5.7	25.2	-8.9
Asian Equity	AS	EQ	LUX	02/05	USD	2.22	-9.6	58.4	-10.7
Asian Equity AA	AS	EQ	LUX	02/08	USD	0.71	-9.6	57.8	-11.0
Asian Sm Cap Equity AA	AS	EQ	LUX	02/08	USD	1.08	-5.7	87.0	-4.3
China Value A	AS	EQ	LUX	02/05	USD	6.33	-11.0	52.8	-7.9
China Value AA	AS	EQ	LUX	02/05	USD	1.99	-11.0	52.5	-8.2
Dragon Growth	AS	EQ	LUX	02/05	USD	1.48	-9.9	56.9	-10.6
Dragon Growth AA	OT	OT	LUX	02/05	HKD	7.21	-9.7	56.7	-11.5
Emg Eastrn Europe A	EU	EQ	LUX	02/05	USD	4.36	-5.5	114.6	-16.8
Emg Eastrn Europe AA	EU	EQ	LUX	02/05	USD	1.88	-5.5	114.3	-17.0
European Growth	EU	EQ	LUX	02/05	USD	8.24	-10.0	41.5	-18.0
European Growth AA	EU	EQ	LUX	02/05	USD	0.59	-10.0	41.2	-18.2
Global Contrarain AA	GL	EQ	LUX	02/05	USD	0.87	-1.1	87.0	NS
Global Property AA	OT	EQ	LUX	02/05	USD	0.63	-6.7	55.8	-14.8
Global Resources AA	OT	EQ	LUX	02/05	USD	0.97	-10.2	34.1	-16.1
Healthcare AA	OT	EQ	LUX	02/05	USD	0.92	-2.5	11.8	NS
India Equity AA	EA	EQ	LUX	02/05	USD	0.99	-10.1	71.0	-19.0
International Growth	GL	EQ	LUX	02/05	USD	2.86	-6.2	21.7	-15.2
International Growth AA	GL	EQ	LUX	02/05	USD	0.66	-6.3	21.4	-15.4
Japanese Growth	JP	EQ	LUX	02/05	USD	2.76	0.3	16.6	-11.5
Japanese Growth AA	JP	EQ	LUX	02/05	USD	0.73	0.9	17.1	-11.4
Latin America Equity AA	GL	EQ	LUX	02/05	USD	1.15	-10.8	81.7	-7.7
Manulife GF Strategic Income Fund AA	OT	OT	NA	02/05	USD	1.00	0.1	NS	NS
MGF Asia Value Dividend Equity Fund	OT	OT	Lux	02/05	USD	1.08	-5.5	NS	NS
Russia Equity AA	EE	EQ	LUX	02/05	USD	0.63	1.5	157.7	-20.4
Taiwan Equity AA	AS	EQ	LUX	02/05	USD	0.95	-12.4	75.9	-1.1
Turkey Equity AA	EE	EQ	LUX	02/05	USD	0.74	-3.1	120.8	-7.0
U.S. Bond AA	US	BD	LUX	02/05	USD	1.13	1.8	19.0	7.5
U.S. Sm Cap Equity AA	US	EQ	LUX	02/05	USD	0.82	0.1	69.3	-9.9
U.S. Special Opportunities	OT	OT	LUX	02/05	USD	0.83	2.4	91.2	2.8
U.S. Tsy Inf-ProtSec AA	OT	BD	LUX	02/05	USD	1.15	1.4	10.0	2.0

■ PT CIPTADANA ASSET MANAGEMENT
Tel: +62 21 25574 883 Fax: +62 21 25574 893 Website: www.ciptadana.com

Indonesian Grth Fund	EA	EQ	CYM	02/03	USD	131.37	3.2	127.9	-0.6

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A Value Partners Group company

■ SENSIBLE ASSET MANAGEMENT LIMITED
www.samfund.com.hk Tel: (852) 2868 6848 Fax: (852) 2810 9948

Asia Value Formula Fd-B	AS	EQ	CYM	02/04	USD	7.79	-2.9	88.2	-4.2

SOCIETE GENERALE Asset Management

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Hotline in Hong Kong 2166 5099
A company of Amundi Group
www.sgam.com

Bonds Eur Hi Yld A	OT	OT	LUX	02/04	EUR	21.21	3.1	52.8	3.2
Bonds EURO A	OT	OT	LUX	02/05	EUR	41.33	0.7	5.6	4.2
Bonds EUROPE A	OT	OT	LUX	02/05	EUR	39.47	0.9	4.7	3.7
Bonds US OppsCoreplus A	OT	OT	LUX	02/04	USD	37.45	1.5	16.2	8.1
Bonds World A	OT	OT	LUX	02/05	USD	41.71	-0.7	9.7	4.1
Eq. AsiaPac Dual Strategies A	OT	OT	LUX	02/05	USD	9.30	-10.8	58.5	-13.1
Eq. China A	AS	EQ	LUX	02/05	USD	21.16	-12.3	49.3	-13.9
Eq. Concentrated Euroland A	OT	OT	LUX	02/05	EUR	84.28	-9.3	11.8	-17.2
Eq. ConcentratedEuropeA	EU	EQ	LUX	02/05	EUR	25.05	-7.3	24.7	-15.7
Eq. Emerging Europe A	OT	OT	LUX	02/04	EUR	24.06	2.2	106.2	-20.9
Eq. Euroland A	EU	EQ	LUX	02/04	EUR	10.11	-6.6	15.9	-18.4
Eq. Euroland Small Cap A	OT	OT	LUX	02/04	EUR	139.06	-1.5	38.1	-8.4
Eq. EurolandCyclclsA	EU	EQ	LUX	02/04	EUR	17.28	-2.9	27.9	-12.4
Eq. EurolandFinancialA	OT	EQ	LUX	02/04	EUR	10.11	-10.6	34.3	-21.4
Eq. Glbl Emg Cty A	GL	EQ	LUX	02/05	USD	8.50	-12.2	53.9	-16.7
Eq. Global A	GL	EQ	LUX	02/05	USD	26.10	-6.3	30.1	-12.1
Eq. Global Energy A	OT	EQ	LUX	02/04	USD	17.02	-6.1	22.2	-14.3
Eq. Global Resources A	OT	OT	LUX	02/04	USD	97.47	-10.7	36.5	-15.1
Eq. Gold Mines A	OT	EQ	LUX	02/04	USD	26.55	-12.4	26.9	-8.5
Eq. India A	OT	OT	LUX	02/05	USD	117.92	-9.8	70.7	-19.0
Eq. Japan CoreAlpha A	OT	OT	LUX	02/05	JPY	7391.74	1.9	32.5	-9.3
Eq. Latin America A	OT	OT	LUX	02/04	USD	101.86	-12.4	63.2	-14.6
Eq. US Lg Cap Gr A	US	EQ	LUX	02/05	USD	14.17	-7.1	27.2	-10.1
Eq. US Rel Val A	US	EQ	LUX	02/04	USD	19.65	-4.6	36.2	-15.3
Eq. US Sm Cap Val A	US	EQ	LUX	02/05	USD	14.94	-6.3	24.1	-18.7
Money Market EURO A	EU	MM	LUX	02/04	EUR	27.41	0.0	0.8	2.5
Money Market USD A	US	MM	LUX	02/04	USD	15.83	0.0	0.4	1.5

The National Investor

■ THE NATIONAL INVESTOR
TNI Tower | Zayed 1st Street Khalidia| Web:www.tni.ae

TNI Mena Real Estate Fund	OT	OT	BMU	01/28	USD	912.91	-5.0	4.3	-31.2
TNI MENA Special Sits Fund	OT	OT	BMU	01/31	USD	1091.50	1.1	13.6	NS
TNI UAE Blue Chip Fund	OT	OT	ARE	01/28	AED	4.88	-8.4	24.4	-34.3

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**formerly known as China ABH Shares Fund*

Intel-Chin MainInd Foc	AS	EQ	CYM	01/29	USD	28.14	-5.7	85.5	2.1
Intel-China Converg*	AS	EQ	CYM	01/29	USD	107.04	-6.1	85.8	1.1
VP Classic - A	AS	EQ	CYM	02/05	USD	172.35	-7.6	73.7	1.2
VP Classic - B	AS	EQ	CYM	02/05	USD	80.29	-7.6	72.9	0.7
VP High Dividend Stk	AS	EQ	CYM	02/01	USD	43.91	-3.3	82.2	4.7

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■ YUKI INTERNATIONAL LIMITED
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■ YMR-N Series

YMR-N Growth Fund	OT	OT	IRL	02/08	JPY	8869.00	-4.6	19.2	-21.0
YMR-N Small Cap Fund	OT	OT	IRL	02/08	JPY	6650.00	-3.6	17.5	-20.3

■ Yuki 77 Series

Yuki 77 General	JP	EQ	IRL	02/08	JPY	5714.00	-7.1	5.4	-22.7
Yuki 77 Growth	JP	EQ	IRL	02/08	JPY	5235.00	-7.2	1.3	-27.0

■ Yuki Chugoku Series

Yuki Chugoku Jpn Gen	JP	EQ	IRL	02/08	JPY	6484.00	-5.0	13.5	-18.3
Yuki Chugoku JpnLowP	JP	EQ	IRL	02/08	JPY	7399.00	-1.9	3.7	-17.7

■ Yuki Hokuyo Japan Series

Yuki Hokuyo Jpn Gen	JP	EQ	IRL	02/08	JPY	4423.00	-5.3	8.6	-22.0
Yuki Hokuyo Jpn Inc	JP	EQ	IRL	02/08	JPY	5071.00	-3.4	8.7	-17.0
Yuki Hokuyo Jpn Sm Cap	JP	EQ	IRL	02/08	JPY	4827.00	-5.4	13.5	-18.4

■ Yuki Mizuho Series

Yuki Mizuho Gen Jpn III	OT	OT	IRL	02/08	JPY	4107.00	-7.1	8.9	-26.5
Yuki Mizuho Jpn Dyn Gro	OT	OT	IRL	02/08	JPY	4332.00	-7.1	8.4	-26.5
Yuki Mizuho Jpn Exc 100	OT	OT	IRL	02/08	JPY	6479.00	-7.1	18.7	-20.8
Yuki Mizuho Jpn Gen	OT	OT	IRL	02/08	JPY	8040.00	-6.7	13.0	-19.0
Yuki Mizuho Jpn Gro	OT	OT	IRL	02/08	JPY	5924.00	-6.8	7.4	-21.5
Yuki Mizuho Jpn Inc	OT	OT	IRL	02/08	JPY	7362.00	-3.6	1.8	-19.2
Yuki Mizuho Jpn Lg Cap	OT	OT	IRL	02/08	JPY	4912.00	-5.3	12.0	-20.4
Yuki Mizuho Jpn LowP	OT	OT	IRL	02/08	JPY	11181.00	-3.3	13.0	-14.6
Yuki Mizuho Jpn PGth	OT	OT	IRL	02/08	JPY	7424.00	-6.7	9.4	-24.3
Yuki Mizuho Jpn SmCp	OT	OT	IRL	02/08	JPY	6679.00	-6.4	19.0	-20.2
Yuki Mizuho Jpn Val Sel	OT	OT	IRL	02/08	JPY	5382.00	-4.7	13.4	-16.9
Yuki Mizuho Jpn YoungCo	OT	OT	IRL	02/08	JPY	2519.00	-7.6	11.9	-26.3

■ Yuki Shizuoka Japan Series

Yuki Shizuoka General Japan	JP	EQ	IRL	02/08	JPY	5092.00	-6.1	12.9	-19.7

For information about listing your funds, please contact: Carson Wong tel: +852 2831-6481; email: carson.wong@dowjones.com

BLUE CHIPS & BONDS

Major players & benchmarks

At right, a look at the Asia Titans, the biggest and best known companies in Asia. Below, some of the Dow Jones Titans indexes of biggest and most liquid stocks in individual countries and regions

Giants around the world

In U.S.-dollar terms.

Dow Jones Country Titans

	INDEX PERFORMANCE		
	Previous session	Year-to-date	52-week
Sweden	-0.94%	-2.3%	40.2%
Japan	-1.12	-3.2	14.1
Switzerland	0.10	-5.0	25.9
South Africa	1.01	-5.1	18.3
Netherlands	-0.57	-5.2	26.6
Canada	-0.76	-6.2	19.3
U.K.	0.05	-6.4	17.5
Singapore	0.58	-6.8	62.7
Australia	0.44	-7.0	27.5
Russia	-1.37	-7.2	72.6
Turkey	-3.26	-7.3	76.2
South Korea	-0.66	-8.5	29.4
Germany	0.49	-8.7	11.7
France	0.47	-9.6	15.4
Italy	-0.57	-10.2	14.2
Hong Kong	-0.61	-10.6	36.4
China 88	-0.20	-13.0	28.6
Spain	-0.29	-13.3	8.3
Brazil	-0.60	-15.2	58.7

Dow Jones Regional Sector Titans

Arab 50	1.24%	2.8%	31.7%
Travel Leisure	0.02	0.1	26.8
Nordic 30 -p	-1.64	unch.	30.9
Pers H'hold Gds	-0.28	-1.7%	26.4
Asian 50	-0.51	-5.7	31.4
EU Enlarged†-p	-3.65	-6.4	51.4
Global 50	0.21	-7.2	19.0
Stoxx 50 -p	-2.14	-8.2	16.0
Tiger 50*	-0.65	-10.1	47.7
Euro Stoxx 50 -p	-2.80	-11.2	12.3

*Asia excluding Japan †15 companies from the new EU countries; Cyprus, CzechRepublic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia.

Source: Dow Jones Indexes

Dow Jones Asia Titans: Monday's best and worst...

Company	Country	Industry	Market value, in billions of US$	Previous close, in local currency	STOCK PERFORMANCE Previous session	52-week	Three-year
Westpac Bking	Australia	Banks	$58.7	23.25	2.83%	40.7%	-8.3%
China Mobile (HK)	Hong Kong	Mobile Telecommunications	192.9	75.40	2.10	-0.5	0.3
Woodside Petroleum	Australia	Exploration Production	26.4	42.33	1.95	32.2	15.1
RioZim Ltd	Australia	General Mining	35.4	67.18	0.87	72.3	12.2
National Australia Bk	Australia	Banks	46.3	25.47	0.63	34.8	-37.8
Panasonic	Japan	Consumer Electronics	$30.6	1,318	-5.32%	17.7	-44.0
Sony	Japan	Consumer Electronics	33.2	2,973	-3.63	62.4	-50.4
Shinhan Financial Grp	South Korea	Banks	16.1	39,650	-3.29	39.8	-22.0
Nissan Motor	Japan	Automobiles	32.6	714.00	-2.59	173.6	-47.5
KB Fncl Group	South Korea	Banks	15.1	45,900	-2.34	32.0	-42.8

...And the rest of Asia's blue chips

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
Cheung Kong Hong Kong (Real Estate Holding Development)	27.0	90.65	0.61%	33.5%	-14.0%
Mizuho Financial Grp Japan (Banks)	27.2	173.00	0.58	-21.0	-79.9
Kansai Elec Power Japan (Conventional Electricity)	22.5	2,101	0.53	-7.7	-44.9
Aus NZ Bk Australia (Banks)	45.6	20.97	0.33	68.3	-28.6
Nippon Steel Japan (Iron Steel)	22.6	321.00	0.31	14.2	-55.5
Tokyo Elec Power Japan (Conventional Electricity)	36.8	2,436	0.21	-10.3	-43.5
Commonwlth Bk of Aus Australia (Banks)	69.6	52.77	0.19	76.3	2.9
QBE Ins Grp Australia (Reinsurance)	19.7	22.15	0.18	-4.8	-27.4
BHP Billiton Australia (General Mining)	115.3	39.60	0.13	18.8	38.5
Shin-Etsu Chml Japan (Specialty Chemicals)	22.7	4,780	0.10	10.7	-37.3
Nintendo Japan (Toys)	34.8	24,310	0.04	-10.0	-26.9
Takeda Pharm Japan (Pharmaceuticals)	35.3	4,000	...	-0.3	-50.3
Westfield Grp Australia (Retail REITs)	24.4	12.18	-0.16	7.8	-46.9
Samsung Elec South Korea (Semiconductors)	94.1	748,000	-0.27	41.9	30.8
Sun Hung Kai Prop Hong Kong (Real Estate Holding Development)	32.4	98.30	-0.41	47.1	2.4
Mitsubishi UFJ Finl Japan (Banks)	70.8	455.00	-0.44	-5.0	-68.4
Woolworths Australia (Food Retailers Wholesalers)	27.3	25.52	-0.58	-7.6	...
JFE Hldgs Japan (Iron Steel)	18.5	3,120	-0.64	26.8	-55.6
China Constr Bk Hong Kong (Banks)	166.8	5.77	-0.69	40.1	17.5
Hon Hai Precision Ind Taiwan (Electrical Components Equipment)	35.6	134.00	-0.74	139.3	-6.3

Company/Country (Industry)	Market value, in billions (U.S)	Latest, in local currency	STOCK PERFORMANCE Latest	52-week	Three-year
KDDI Japan (Mobile Telecommunications)	23.8	481,000	-0.82%	-4.0%	-48.9%
East Japan Railway Japan (Travel Tourism)	26.5	5,980	-0.83	8.5	-33.5
Mitsui Japan (Industrial Suppliers)	26.0	1,280	-0.85	24.3	-34.8
Mitsubishi Japan (Industrial Suppliers)	38.5	2,097	-0.99	55.0	-16.8
NTT DoCoMo Japan (Mobile Telecommunications)	64.9	138,800	-1.00	-7.7	-35.4
Taiwan Smcndtr Mfg Taiwan (Semiconductors)	46.3	57.40	-1.03	26.8	-13.0
Toyota Motor Japan (Automobiles)	115.6	3,280	-1.06	2.8	-59.5
Tokio Marine Hldgs Japan (Property Casualty Insurance)	21.1	2,395	-1.07	0.6	-45.7
Sumitomo Mitsui Finl Japan (Banks)	41.9	2,774	-1.21	-17.9	-75.9
Japan Tobacco Japan (Tobacco)	34.4	320,000	-1.39	30.0	-42.3
China Life Ins Hong Kong (Life Insurance)	31.2	32.55	-1.51	38.5	36.2
Canon Japan (Electronic Office Equipment)	48.3	3,495	-1.55	36.3	-45.3
Seven I Hldgs Japan (Broadline Retailers)	19.9	1,966	-1.70	-13.4	-45.7
POSCO South Korea (Iron Steel)	33.4	516,000	-1.71	31.0	47.9
CNOOC Hong Kong (Exploration Production)	65.5	11.40	-1.72	54.9	75.4
Nippon T&T Japan (Fixed Line Telecommunications)	58.4	3,945	-1.74	-5.2	-41.3
PetroChina Hong Kong (Integrated Oil Gas)	22.4	8.25	-1.79	28.7	-14.3
Indl Comm Bk China Hong Kong (Banks)	57.8	5.41	-1.81	48.6	15.4
Hutchison Whampoa Hong Kong (Diversified Industrials)	29.0	52.85	-1.86	34.0	-34.7
Honda Motor Japan (Automobiles)	62.1	3,035	-2.10	34.3	-37.6

Sources: Dow Jones Indexes; WSJ Market Data Group

Tracking credit markets & dealmakers

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Hedge funds

Dow Jones Hedge Benchmark	TOTAL RETURN for rolling periods, net of fees* One week	One month	One quarter	Year to date	One year
Merger Arbitrage	-1.90%	-1.93%	-0.6%	-1.9%	4.5%
Event Driven	-1.70	-1.24	0.9	-1.0	12.8
Equity Long/Short	-1.21	-1.51	1.3	-1.0	2.1

*Estimates as of 02/04/10, after fees; Source: www.djhedgefundindexes.com

Credit derivatives

Spreads on credit derivatives are one way the market rates creditworthiness. Regions that are treading in rough waters can see spreads swing toward the maximum—and vice versa. Indexes below are for five-year swaps.

Markit iTraxx Indexes

Index: series/version	Mid-spread, in pct. pts.	Mid-price	Coupon	SPREAD RANGE, in pct. pts. since most recent roll Maximum	Minimum	Average
Europe: 12/1	0.91	100.40%	0.01%	1.00	0.65	0.82
Eur. High Volatility: 12/1	1.35	98.44	0.01	1.76	0.92	1.30
Europe Crossover: 12/1	4.92	100.30	0.05	6.15	3.79	4.95
Asia ex-Japan IG: 12/1	1.27	98.76	0.01	1.29	0.87	1.06
Japan: 12/1	1.53	97.53	0.01	1.68	0.99	1.34

Note: Data as of February 5

Spreads

Spreads on five-year swaps for corporate debt; based on Markit iTraxx indexes.

In percentage points

Source: Markit Group

Credit-default swaps: Asian companies

At its most basic, the pricing of credit-default swaps measures how much a buyer has to pay to purchase-and how much a seller demands to sell-protection from default on an issuer's debt. The snapshot below gives a sense which way the market was moving yesterday.

Showing the biggest improvement...

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Toppan Prtg	37	-3	7	-7
Kawasaki Kisen Kaisha	233	-3	-2	10
Elpida Memory	611	-3	-15	19
Nomura Hldgs	200	-3	...	7
KDDI	43	-2	5	8
Mitsui Chems	136	-1	-1	20
Nippon Paper Group	97	-1	6	11
Hitachi	94	-1	2	14
Japan Tob	36	-1	-1	1
Nec Electrs	223	-1	-1	-6

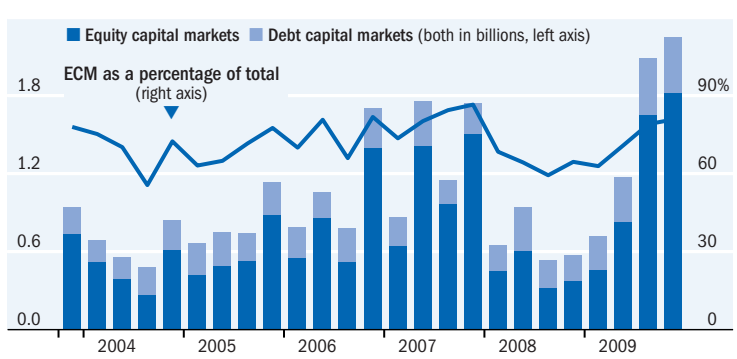
And the most deterioration

	Yesterday	CHANGE, in basis points Yesterday	Five-day	28-day
Korea Dev Bk	136	16	20	50
Kdom Thailand	135	18	21	39
Korea Expwy	108	18	23	45
Socialist Rep Vietnam	272	19	27	42
Philippine Long Distance Tel	178	20	27	51
Taiheiyo Cem	521	21	35	29
Rep Philippines	217	23	28	54
Rep Indonesia	226	29	35	40
Sanyo Shinpan Fin	678	33	50	32
Promise	678	40	50	18

Source: Markit Group

Behind Asia's deals: Bank revenues from equity capital markets

Behind every IPO, follow-on or convertible equity offering is one or more investment banks. At right, investment banks historical and year-to-date revenues from global equity-capital-market (ECM) deals



Source: Dealogic

GLOBAL MARKETS LINEUP

Commodities

Prices of futures contracts with the most open interest

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **NYBOT:** New York Board of Trade; **MDEX:** Bursa Malaysia Derivatives Berhad; **LIFFE:** London International Financial Futures Exchange; **LME:** London Mercantile Exchange; **NYMEX:** New York Mercantile Exchange; **ICE:** IntercontinentalExchange

	Commodity	Exchange	Last price	ONE-DAY CHANGE Net	ONE-DAY CHANGE Percentage	Contract high	Contract low
	Corn (cents/bu.)	CBOT	361.25	9.75	2.77%	712.25	315.50
	Soybeans (cents/bu.)	CBOT	935.00	21.50	2.35	1,560.00	805.00
	Wheat (cents/bu.)	CBOT	482.50	9.25	1.95	1,029.25	459.00
	Live cattle (cents/lb.)	CME	90.850	0.450	0.50	95.175	85.050
	Cocoa ($/ton)	ICE-US	3,020	19	0.63	3,514	2,066
	Coffee (cents/lb.)	ICE-US	130.70	1.90	1.48	188.65	115.00
	Sugar (cents/lb.)	ICE-US	26.88	0.71	2.71	30.40	11.91
	Cotton (cents/lb.)	ICE-US	67.50	0.88	1.32	84.00	49.67
	Crude palm oil (ringgit/ton)	MDEX	2,550.00	29	1.15	2,743	2,150
	Cocoa (pounds/ton)	LIFFE	2,200	-5	-0.23%	2,350	1,310
	Robusta coffee ($/ton)	LIFFE	1,295	....	unch.	1,710	1,275
	Copper (cents/lb.)	COMEX	288.00	2.25	0.79	365.00	135.50
	Gold ($/troy oz.)	COMEX	1069.40	17.20	1.63	1,229.00	785.10
	Silver (cents/troy oz.)	COMEX	1510.00	27.00	1.82	2,011.50	1,045.00
	Aluminum ($/ton)	LME	2,002.00	20.00	1.01	2,356.50	1,288.00
	Tin ($/ton)	LME	14,975.00	-700.00	-4.47	18,250.00	9,945.00
	Copper ($/ton)	LME	6,346.00	86.00	1.37	7,695.00	3,171.00
	Lead ($/ton)	LME	1,952.00	15.00	0.77	2,615.00	995.00
	Zinc ($/ton)	LME	2,010.00	18.00	0.90	2,659.00	1,086.00
	Nickel ($/ton)	LME	17,100	-300	-1.72	21,150	9,475
	Crude oil ($/bbl.)	NYMEX	71.05	-0.14	-0.20	141.30	48.78
	Heating oil ($/gal.)	NYMEX	1.8910	0.0162	0.86	3.5280	1.3800
	RBOB gasoline ($/gal.)	NYMEX	1.8962	0.0100	0.53	2.2003	1.2176
	Natural gas ($/mmBtu)	NYMEX	5.600	0.085	1.54	12.590	4.550
	Brent crude ($/bbl.)	ICE-EU	70.52	0.44	0.63	83.58	51.55
	Gas oil ($/ton)	ICE-EU	575.75	-6.50	-1.12	688.00	502.25

Source: Thomson Reuters; WSJ Market Data Group

WSJ.com

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Currencies

London close on Feb. 8

AMERICAS	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Argentina peso-a	5.2628	0.1900	3.8413	0.2603
Brazil real	2.5545	0.3915	1.8645	0.5363
Canada dollar	1.4634	0.6834	1.0681	0.9362
1-mo. forward	1.4634	0.6833	1.0681	0.9362
3-mos. forward	1.4635	0.6833	1.0682	0.9362
6-mos. forward	1.4636	0.6832	1.0683	0.9361
Chile peso	741.40	0.001349	541.15	0.001848
Colombia peso	2743.05	0.0003646	2002.15	0.0004995
Ecuador US dollar-f	1.3700	0.7299	1	1
Mexico peso-a	18.0302	0.0555	13.1603	0.0760
Peru sol	3.9348	0.2541	2.8720	0.3482
Uruguay peso-e	26.716	0.0374	19.500	0.0513
U.S. dollar	1.3700	0.7299	1	1
Venezuela bolivar	5.88	0.169956	4.29	0.232848
ASIA-PACIFIC				
Australia dollar	1.5747	0.6350	1.1494	0.8701
China yuan	9.3528	0.1069	6.8266	0.1465
Hong Kong dollar	10.6455	0.0939	7.7702	0.1287
India rupee	64.1663	0.0156	46.8350	0.0214
Indonesia rupiah	12872	0.0000777	9395	0.0001064
Japan yen	122.28	0.008178	89.25	0.011204
1-mo. forward	122.26	0.008179	89.24	0.011206
3-mos. forward	122.22	0.008182	89.21	0.011210
6-mos. forward	122.13	0.008188	89.14	0.011218
Malaysia ringgit-c	4.7150	0.2121	3.4415	0.2906
New Zealand dollar	1.9889	0.5028	1.4517	0.6889
Pakistan rupee	116.523	0.0086	85.050	0.0118
Philippines peso	63.742	0.0157	46.525	0.0215
Singapore dollar	1.9487	0.5132	1.4224	0.7031
South Korea won	1604.33	0.0006233	1171.00	0.0008540
Taiwan dollar	43.992	0.02273	32.110	0.03114
Thailand baht	45.479	0.02199	33.195	0.03013

EUROPE	Per euro	In euros	Per U.S. dollar	In U.S. dollars
Euro zone euro	1	1	0.7299	1.3701
1-mo. forward	1.0000	1.0000	0.7299	1.3700
3-mos. forward	1.0002	0.9998	0.7300	1.3698
6-mos. forward	1.0006	0.9994	0.7304	1.3692
Czech Rep. koruna-b	26.150	0.0382	19.087	0.0524
Denmark krone	7.4440	0.1343	5.4334	0.1840
Hungary forint	273.15	0.003661	199.38	0.005016
Norway krone	8.1634	0.1225	5.9585	0.1678
Poland zloty	4.0832	0.2449	2.9804	0.3355
Russia ruble-d	41.832	0.02391	30.533	0.03275
Sweden krona	10.1519	0.0985	7.4099	0.1350
Switzerland franc	1.4651	0.6825	1.0694	0.9351
1-mo. forward	1.4648	0.6827	1.0692	0.9353
3-mos. forward	1.4642	0.6829	1.0688	0.9357
6-mos. forward	1.4630	0.6835	1.0679	0.9364
Turkey lira	2.0814	0.4804	1.5193	0.6582
U.K. pound	0.8759	1.1417	0.6393	1.5642
1-mo. forward	0.8761	1.1414	0.6395	1.5638
3-mos. forward	0.8764	1.1410	0.6397	1.5632
6-mos. forward	0.8770	1.1403	0.6401	1.5623
MIDDLE EAST/AFRICA				
Bahrain dinar	0.5165	1.9362	0.3770	2.6526
Egypt pound-a	7.5175	0.1330	5.4870	0.1822
Israel shekel	5.1085	0.1958	3.7287	0.2682
Jordan dinar	0.9703	1.0306	0.7083	1.4119
Kuwait dinar	0.3957	2.5272	0.2888	3.4624
Lebanon pound	2055.76	0.0004864	1500.50	0.0006665
Saudi Arabia riyal	5.1380	0.1946	3.7503	0.2666
South Africa rand	10.5943	0.0944	7.7328	0.1293
United Arab dirham	5.0322	0.1987	3.6730	0.2723
SDR -f	0.8904	1.1231	0.6499	1.5388

a-floating rate b-commercial rate c-government rate c-commercial rate d-Russian Central Bank rate f-Special Drawing Rights from the International Monetary Fund ; based on exchange rates for U.S., British and Japanese currencies.
Note: Based on trading among banks in amounts of $1 million and more, as quoted by Thomson Reuters.

Major stock market indexes

Stock indexes from around the world, grouped by region. Shown in local-currency terms.

Price-to-earnings ratio*	Region/Country	Index	PREVIOUS SESSION Close	Net change	Percentage change	PERFORMANCE Yr.-to-date	52-wk.
70	**ASIA-PACIFIC**	DJ Asia-Pacific	116.72	-0.57	-0.49%	-5.1%	35.4%
...	Australia	SPX/ASX 200	4521.36	7.29	0.16%	-7.2	28.9
...	China	CBN 600	26057.85	-23.01	-0.09	-10.3	38.7
18	Hong Kong	Hang Seng	19550.89	-114.19	-0.58	-10.6	42.0
18	India	Sensex	15935.61	19.96	0.13	-8.8	66.3
...	Indonesia	Jakarta Composite	2475.572	-43.404	-1.72	-2.3	84.4
...	Japan	Nikkei Stock Average	9951.82	-105.27	-1.05	-5.6	24.9
...		Topix	883.01	-8.77	-0.98	-2.7	13.4
...	Malaysia	Kuala Lumpur Composite	1235.22	-12.68	-1.02	-3.0	37.8
15	New Zealand	NZSX-50	3093.451	-11.540	-0.37	-4.2	11.8
9	Pakistan	KSE 100	9809.98	40.25	0.41	4.5	76.0
13	Philippines	Manila Composite	2846.60	-9.04	-0.32	-6.8	45.9
...	Singapore	Straits Times	2693.62	10.06	0.37	-7.0	60.1
11	South Korea	Kospi	1552.79	-14.33	-0.91	-7.7	29.1
...	Taiwan	Weighted	7215.88	3.01	0.04	-11.9	60.5
10	Thailand	SET	688.09	-3.32	-0.48	-6.3	54.8
58	**EUROPE**	DJ Stoxx 600	239.04	1.58	0.67	-5.6	19.6
23		DJ Stoxx 50	2400.21	26.98	1.14	-6.9	17.0
70	**Euro Zone**	DJ Euro Stoxx	251.33	1.94	0.78%	-8.5%	15.6%
21		DJ Euro Stoxx 50	2665.40	33.76	1.28	-10.1	13.3
21	Denmark	OMX Copenhagen	324.49	-4.81	-1.46%	2.8	32.4
20	Finland	OMX Helsinki	6469.78	-45.58	-0.70	0.2	19.9
17	France	CAC-40	3607.27	43.51	1.22	-8.4	15.1
18	Germany	DAX	5484.85	50.51	0.93	-7.9	17.5
14	Italy	FTSE MIB	20938.24	122.36	0.59	-9.9	12.2
...	Netherlands	AEX	316.50	1.46	0.46	-5.6	20.5
...	Russia	RTSI	1375.34	-35.80	-2.54	-3.6	141.7
9	Spain	IBEX 35	10206.3	103.0	1.02	-14.5	18.9
13	Switzerland	SMI	6347.14	82.81	1.32	-3.0	23.0
...	Turkey	ISE National 100	49933.38	-1521.51	-2.96	-5.5	84.7
13	U.K.	FTSE 100	5092.33	31.41	0.62	-5.9	18.2
21	**AMERICAS**	DJ Americas	280.58	-1.04	-0.37	-5.4	27.0
...	Brazil	Bovespa	63767.78	1005.08	1.60	-7.0	51.9
...	Argentina	Merval	2197.31	32.16	1.49	-5.3	89.1
19	Mexico	IPC	30670.83	40.10	0.13	-4.5	50.2

*P/E ratios use trailing 12-months, as-reported earnings
European and Americas index data are as of 12:00 p.m. ET.

Sources: Thomson Reuters; WSJ Market Data Group

Thomson Reuters is the primary data provider for several statistical tables in The Wall Street Journal, including foreign stock quotations, futures and futures options prices, and foreign exchange tables. Reuters real-time data feeds are used to calculate various Dow Jones Indexes.

Dow Jones and Dow Jones Stoxx Indexes

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.29%	19	**DJ Global Index**	211.50	-0.82	-0.39%	-6.8%	28.6%	-9.4%
1.94	20	**Global DOW**	1836.96	0.55	0.03	-7.4	26.0	-5.8
2.40		**Asia/Pacific 600**	111.20	-0.58	-0.51	-3.0	28.1	-9.2
1.88	14	**Emerging Markets**	252.73	-1.44	-0.57	-9.7	60.0	-0.7
2.21	51	**Asia/Pacific**	116.72	-0.66	-0.56	-5.1	35.4	-7.7
2.52	16	**Asia/Pacific ex-Japan**	284.95	-0.70	-0.24	-9.7	60.9	-3.5
2.72	22	**Southeast Asia**	146.39	-0.41	-0.28	-9.0	68.1	-1.9
0.91	26	**CBN China 600** -c	26057.85	-23.01	-0.09	-10.3	38.7	11.5
0.93	30	**Shanghai**	350.19	-0.50	-0.14	-9.7	38.6	11.5
0.62	43	**Shenzhen**	382.69	0.52	0.14	-8.1	58.3	18.2
2.48	17	**China Offshore 50**	3590.15	-28.74	-0.79	-12.0	38.2	2.6
7.73	9	**Australia LPT** -c, d	1133.77	-17.16	-1.49	-2.5	24.0	-24.1

Dividend yield*	Price-to-earnings ratio*	Dows Jones Index	Last	Net change	PERFORMANCE Daily	Year-to-date	52-wk.	Three-yr., annualized
2.18%	14	**Islamic Market**	1852.76	-5.06	-0.27%	-6.2%	26.2%	-4.3%
2.48	15	**Islamic Market 100**	1999.63	-1.92	-0.10	-5.7	17.1	-4.6
9.30		**Bahrain**	126.26	-0.10	-0.08	3.7	-6.5	-11.5
2.83	45	**Kuwait**	198.29	4.52	2.33	1.9	11.2	-15.2
2.74	18	**Sustainability**	923.40	-0.98	-0.11	-8.8	26.5	-10.6
2.53	58	**Stoxx 600 -p**	242.44	-7.33	-2.94	-10.9	27.2	-12.8
4.09	18	**Stoxx Select Div 30 -p**	1603.94	-43.19	-2.62	-10.7	24.2	-24.4
3.67	25	**Euro Stoxx Sel Div 30 -p**	1886.18	-57.36	-2.95	-11.3	30.8	-20.7
1.85	23	**DJ U.S. TSM**	10968.03	-37.53	-0.34	-4.6	24.8	-9.2
4.37	14	**U.S. Select Dividend -d**	626.60	-0.96	-0.15	-3.7	24.1	-11.9
5.04		**U.S. REIT**	136.72	-1.16	-0.84	-5.9	29.2	-22.6
		DJ-UBS Commodity -p	126.56	-1.78	-1.39	-9.1	11.9	-8.5

*Fundamentals are based on data in U.S. dollar. Footnotes: c-in local currency. d-dividends reinvested. p-previous day. Note: All data as of 11:30 a.m. ET.

Source: Dow Jones Indexes

Cross rates

U.S.-dollar and euro foreign-exchange rates in global trading

	US$	A$	£	C$	YUAN	EURO	HK$	RUPEE	RUPIAH	YEN	NZ$	WON	RINGGIT	PH. PESO	S$	S FRANC	TW$	BAHT
U.S.		1.149	0.639	1.068	6.827	0.730	7.770	46.835	9394.96	89.250	1.452	1171.00	3.442	46.525	1.422	1.069	32.110	33.195
Australia	0.870		0.556	0.929	5.939	0.635	6.760	40.749	8174.09	77.652	1.263	1018.83	2.994	40.479	1.238	0.930	27.937	28.881
Britain	1.564	1.798		1.671	10.678	1.142	12.154	73.257	14695.13	139.600	2.271	1831.62	5.383	72.772	2.225	1.673	50.225	51.922
Canada	0.936	1.076	0.599		6.391	0.683	7.275	43.849	8795.96	83.560	1.359	1096.34	3.222	43.559	1.332	1.001	30.063	31.079
China	0.1465	0.168	0.094	0.156		0.107	1.138	6.861	1376.23	13.074	0.213	171.54	0.504	6.815	0.208	0.157	4.704	4.863
Euro	1.370	1.575	0.876	1.463	9.353		10.645	64.166	12871.57	122.277	1.989	1604.33	4.715	63.742	1.949	1.465	43.992	45.479
Hong Kong	0.129	0.148	0.082	0.137	0.879	0.094		6.028	1209.11	11.486	0.187	150.71	0.443	5.988	0.183	0.138	4.132	4.272
India	0.0214	0.0245	0.0137	0.0228	0.1458	0.0156	0.1659		200.60	1.9056	0.0310	25.00	0.0735	0.9934	0.0304	0.0228	0.6856	0.7088
Indonesia	0.0001	0.0001	0.0001	0.0001	0.0007	0.0001	0.0008	0.0050		0.0095	0.0002	0.12	0.0004	0.0050	0.0002	0.0001	0.0034	0.0035
Japan	0.011	0.013	0.007	0.012	0.076	0.008	0.087	0.525	105.27		0.016	13.12	0.039	0.521	0.016	0.012	0.360	0.372
New Zealand	0.689	0.792	0.440	0.736	4.703	0.503	5.352	32.262	6471.72	61.480		806.64	2.371	32.049	0.980	0.737	22.119	22.866
South Korea	0.0009	0.0010	0.0005	0.0009	0.0058	0.0006	0.0066	0.0400	8.02	0.0762	0.0012		0.0029	0.0397	0.0012	0.0009	0.0274	0.0283
Malaysia	0.291	0.334	0.186	0.310	1.984	0.212	2.258	13.609	2729.90	25.933	0.422	340.26		13.519	0.413	0.311	9.330	9.646
Philippines	0.021	0.025	0.014	0.023	0.147	0.016	0.167	1.007	201.93	1.918	0.031	25.17	0.074		0.031	0.023	0.690	0.713
Singapore	0.703	0.808	0.449	0.751	4.800	0.513	5.463	32.928	6605.24	62.748	1.021	823.29	2.420	32.710		0.752	22.575	23.338
Switzerland	0.935	1.075	0.598	0.999	6.384	0.683	7.266	43.796	8785.27	83.458	1.357	1095.01	3.218	43.506	1.330		30.026	31.041
Taiwan	0.031	0.036	0.020	0.033	0.213	0.023	0.242	1.459	292.59	2.780	0.045	36.47	0.107	1.449	0.044	0.033		1.034
Thailand	0.030	0.035	0.019	0.032	0.206	0.022	0.234	1.411	283.02	2.689	0.044	35.28	0.104	1.402	0.043	0.032	0.967	

Source: Thomson Reuters via WSJ Market Data Group

MSCI indexes

Developed and emerging-market regional and country indexes from MSCI Barra as of February. 08, 2010

Dividend yield	Price-to-earnings ratio	Morgan Stanley Index	Last	LOCAL-CURRENCY PERFORMANCE Daily	YTD	52-wk.
2.40%	26	**ALL COUNTRY (AC) WORLD***	279.55	1.27%	-6.6%	34.4%
2.50	27	**World (Developed Markets)**	1,095.48	0.99	-6.2	30.6
1.80	116	**World Small Cap**	181.99	0.80	-4.3	46.9
2.60	22	**Kokusai (World ex-Japan)**	1,076.64	0.98	-7.2	32.8
3.00	27	**EAFE**	1,451.53	2.55	-8.2	30.2
2.10	20	**Emerging Markets (EM)**	897.70	3.20	-9.3	69.5
2.60	22	**AC ASIA PACIFIC EX-JAPAN**	376.54	3.68	-9.6	64.9
2.10	22	**AC Far East ex-Japan**	408.82	3.89	-9.1	59.4
1.70	-36	**Japan**	557.73	-2.14	-1.9	14.0
2.00	19	**China**	58.04	-3.79	-10.4	55.1
0.90	37	**China A (China Domestic)**	3,012.54	-2.03	-10.9	56.2
2.70	22	**Hong Kong**	9,401.64	-2.77	-7.6	42.7
1.00	20	**India**	641.76	-2.74	-9.2	77.0
1.10	16	**Korea**	444.08	-3.22	-7.6	38.8
2.40	19	**Malaysia**	458.28	-1.54	-2.5	40.0
3.10	17	**Singapore**	1,494.66	-2.06	-8.0	51.7
2.60	232	**Taiwan**	262.35	-4.04	-11.3	64.4
3.00	18	**Thailand**	280.81	-1.79	-6.9	57.2
4.00	24	**Australia**	930.43	-2.32	-7.1	27.8
5.40	16	**New Zealand**	82.37	-2.19	-5.5	2.8
1.90	32	**US BROAD MARKET**	1,183.34	-0.28	-4.3	31.5
3.40	17	**EUROPE**	82.40	-2.13	-6.7	23.2

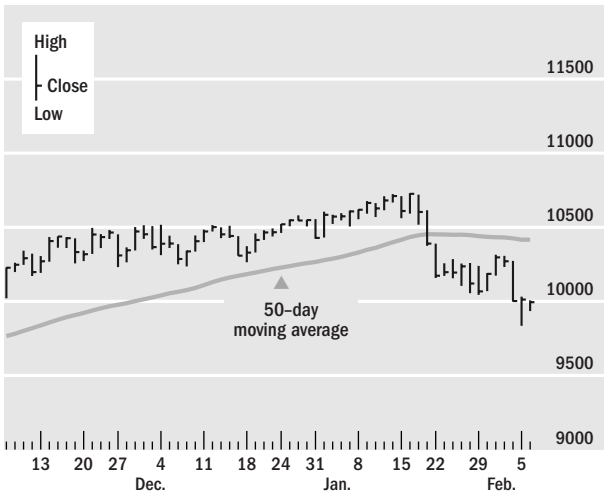
*Twenty-three developed and 26 emerging markets

Source: MSCI Barra

SCANNING THE GLOBE

Dow Jones Industrial Average P/E: 16

LAST: **9994.32** ▼ 17.91, or 0.18%
YEAR TO DATE: ▼ **433.73, or 4.2%**
OVER 52 WEEKS ▲ **1,723.45, or 20.8%**



Nasdaq Composite Index P/E: 20*

LAST: **2143.98** ▲ 2.86, or 0.13%
YEAR TO DATE: ▼ **125.17, or 5.5%**
OVER 52 WEEKS ▲ **552.42, or 34.7%**

S&P 500 Index P/E: 27

LAST: **1067.17** ▲ 0.98, or 0.09%
YEAR TO DATE: ▼ **47.93, or 4.3%**
OVER 52 WEEKS ▲ **197.28, or 22.7%**

*Price-to-earnings ratio for the Nasdaq 100 Note: Price-to-earnings ratios are for trailing 12 months

Sources: WSJ Market Data Group; Birinyi Associates

DJIA component stocks

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
AT&T	T	**9.50**	$25.11	-0.13	**-0.52%**
Alcoa	AA	**20.50**	13.46	0.28	**2.14**
AmExpress	AXP	**3.20**	37.54	-0.31	**-0.81**
BankAm	BAC	**100.30**	14.71	-0.29	**-1.93**
Boeing	BA	**1.90**	58.58	0.18	**0.31**
Caterpillar	CAT	**4.90**	51.86	0.11	**0.21**
Chevron	CVX	**5.00**	71.15	-0.03	**-0.04**
CiscoSys	CSCO	**30.30**	23.71	0.01	**0.06**
CocaCola	KO	**3.30**	52.91	-0.18	**-0.34**
Disney	DIS	**4.30**	29.85	0.31	**1.05**
DuPont	DD	**2.10**	32.60	-0.13	**-0.40**
ExxonMobil	XOM	**14.10**	65.12	0.74	**1.15**
GenElec	GE	**30.20**	15.74	-0.05	**-0.32**
HewlettPk	HPQ	**7.90**	48.08	0.76	**1.60**
HomeDpt	HD	**11.20**	28.85	0.87	**3.12**
Intel	INTC	**29.30**	19.72	0.25	**1.28**
IBM	IBM	**2.50**	122.69	-0.28	**-0.23**
JPMorgChas	JPM	**30.70**	37.95	-0.35	**-0.91**
JohnsJohns	JNJ	**4.10**	62.55	-0.09	**-0.14**
KftFoods	KFT	**7.70**	28.50	0.06	**0.21**
McDonalds	MCD	**2.70**	63.48	0.11	**0.17**
Merck	MRK	**4.00**	36.87	0.14	**0.38**
Microsoft	MSFT	**21.70**	28.03	0.01	**0.04**
Pfizer	PFE	**21.30**	17.92	-0.05	**-0.25**
ProctGamb	PG	**4.70**	61.29	-0.01	**-0.02**
3M	MMM	**1.90**	77.76	-0.78	**-0.99**
TravelersCos	TRV	**1.70**	49.77	-0.51	**-1.01**
UnitedTech	UTX	**1.60**	66.03	-0.47	**-0.71**
Verizon	VZ	**6.10**	28.64	-0.10	**-0.35**
WalMart	WMT	**4.30**	53.29	-0.16	**-0.30**

U.S. stocks: most active...

Stock	Symbol	Volume, in millions	Latest	CHANGE Points	CHANGE Percentage
Citigroup	C	**114.5**	$3.22	–$0.01	**–0.16%**
BankAm	BAC	**101.5**	14.71	–0.29	**–1.93**
SPDR S&P 500	SPY	**100.1**	107.07	0.41	**0.38**
CellThrp	CTIC	**63.8**	0.78	–0.28	**–26.32**
SPDR FnclSelSct	XLF	**53.8**	13.88	–0.06	**–0.43**
PwrShrs QQQ	QQQQ	**50.9**	43.11	0.13	**0.30**
FordMotor	F	**47.5**	11.28	0.37	**3.39**
DrxFinancBear 3x	FAZ	**36.7**	20.89	0.22	**1.07**
iShrMSCIEmrgMkt	EEM	**35.2**	37.28	0.08	**0.22**
E Trade	ETFC	**30.8**	1.55	0.09	**6.16**
JPMorgChas	JPM	**30.8**	37.97	–0.33	**–0.86**
SiriusXM	SIRI	**30.5**	0.88	0.02	**1.91**
CiscoSys	CSCO	**30.4**	23.73	0.03	**0.13**
GenElec	GE	**30.3**	15.75	–0.04	**–0.25**
Intel	INTC	**29.3**	19.73	0.26	**1.34**

Biggest gainers...

Imergent	IIG	**90.2**	$7.13	$1.47	**25.97%**
PhoenixCos	PNX	**586.3**	2.52	0.35	**16.22**
SmithtwnBcp	SMTB	**196.2**	5.05	0.65	**14.77**
GolfsmithIntl	GOLF	**31.3**	2.70	0.34	**14.40**
Hasbro	HAS	**7,538.5**	34.94	4.14	**13.44**

...Biggest losers

WillmCoal un	WTU	**812.3**	$1.80	-$1.13	**-38.57%**
Entorian	ENTN	**2.4**	3.50	-0.45	**-11.28**
SportChalet B	SPCHB	**49.8**	2.72	-0.31	**-10.23**
MrcntlBk	MBWM	**10.4**	3.42	-0.33	**-8.80**
NtlBkGrc ADS	NBG	**2,680.6**	3.60	-0.34	**-8.63**

ADRs of Asian companies*

52-WEEK High	52-WEEK Low	Stock	Symbol	Volume, in OOOs	Latest	CHANGE Points	CHANGE Percentage
$11.69	$6.88	**Taiwan Semi**	TSM	**13,974.1**	$9.68	0.12	**1.26%**
4.24	1.65	**Utd Microelectronics**	UMC	**1,960.0**	3.52	0.07	**2.03**
82.74	33.09	**BHP Billiton**	BHP	**1,617.3**	69.11	-0.09	**-0.13**
8.19	4.18	**Siliconware Prec Ind**	SPIL	**1,607.6**	6.22	0.29	**4.90**
91.97	56.79	**Toyota Motor**	TM	**1,599.6**	73.23	-1.48	**-1.98**
13.30	6.35	**AU Optrncs**	AUO	**1,208.8**	10.90	0.36	**3.42**
6.84	3.71	**Mitsu UFJ Fnl**	MTU	**1,158.7**	5.13	0.04	**0.79**
15.95	8.65	**China Unicom**	CHU	**1,154.0**	10.66	0.08	**0.80**
59.13	22.61	**Infosys Tech**	INFY	**877.5**	51.46	0.53	**1.04**
59.22	40.20	**China Mobile**	CHL	**818.9**	48.45	1.07	**2.26**
18.64	12.59	**SK Telecom**	SKM	**544.6**	16.88	0.56	**3.43**
34.27	10.70	**Aluminum Cp of China**	ACH	**479.3**	23.27	-0.60	**-2.51**
21.78	11.30	**KT Corp**	KT	**470.3**	20.11	0.67	**3.45**
81.00	38.70	**China Life Ins**	LFC	**278.7**	63.22	-0.32	**-0.50**
17.19	10.60	**Matsushita Elec**	PC	**275.1**	14.86	-0.64	**-4.13**
5.23	1.57	**Adv Semi Engrg**	ASX	**269.0**	4.10	0.07	**1.74**
35.59	15.64	**Sony**	SNE	**264.2**	33.30	-0.96	**-2.80**
18.20	6.85	**Korea Elec Pwr**	KEP	**244.0**	16.15	-0.13	**-0.80**
150.50	47.09	**POSCO**	PKX	**225.4**	109.94	-1.96	**-1.75**
135.92	63.94	**PetroChina**	PTR	**222.7**	107.87	-0.96	**-0.88**
37.23	20.72	**Honda Motor**	HMC	**219.1**	34.09	-0.40	**-1.16**
9.50	3.96	**Nomura Hldgs**	NMR	**191.8**	7.26	0.12	**1.68**
24.09	17.71	**NTT**	NTT	**134.7**	22.06	-0.22	**-0.99**
171.59	75.59	**CNOOC**	CEO	**125.4**	147.41	-1.89	**-1.27**
21.22	16.33	**ChunghwaTel**	CHT@	**120.5**	18.27	0.32	**1.78**
25.65	5.11	**Yanzhou Coal Mining**	YZC	**119.7**	19.02	-0.08	**-0.44**
9.82	5.43	**Telecom Corp of NZ**	NZT	**115.9**	8.00	0.03	**0.38**
94.00	46.45	**China Petro & Chem**	SNP	**109.7**	74.50	-0.38	**-0.51**
43.95	21.23	**Canon**	CAJ	**93.5**	39.34	-0.16	**-0.41**
7.74	2.00	**Alumina**	AWC	**75.4**	5.56	0.15	**2.77**

*Most active American depositary receipts tracked by Dow Jones

Source: WSJ Market Data Group

Global government bonds

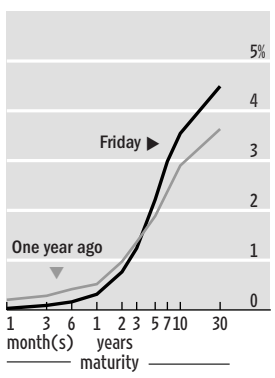
Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 11 a.m. ET

Coupon	Country/ Maturity, in years	Yield	SPREAD OVER TREASURYS, in basis points Latest	Previous	Month ago	Year ago	YIELD Previous	Month ago	Year ago
5.750%	**Australia** 2	**4.425%**	**364.2**	368.2	352.0	**188.5**	4.425%	4.505%	**2.888%**
4.500	10	**5.488**	**190.1**	190.2	192.5	**145.4**	**5.452**	5.759	**4.446**
5.000	**Austria** 2	**1.546**	**76.3**	92.3	70.1	**36.9**	**1.666**	1.686	**1.372**
3.900	10	**3.696**	**10.9**	10.2	-0.7	**126.0**	**3.652**	3.827	**4.252**
2.000	**Belgium** 2	**1.412**	**62.9**	68.4	0.0	**36.9**	**1.427**	0.985	**1.372**
3.750	10	**3.736**	**14.9**	15.1	-13.2	**132.0**	**3.701**	3.702	**4.312**
1.500	**Canada** 2	**1.260**	**47.7**	51.0	33.0	**14.2**	**1.253**	1.315	**1.145**
3.750	10	**3.371**	**-21.6**	-19.3	-23.5	**4.9**	**3.357**	3.599	**3.041**
4.000	**Denmark** 2	**1.767**	**98.4**	103.5	108.6	**147.5**	**1.778**	2.071	**2.478**
4.000	10	**3.478**	**-10.9**	-6.2	-18.4	**77.7**	**3.488**	3.650	**3.769**
3.750	**France** 2	**1.093**	**31.0**	36.3	18.5	**51.6**	**1.106**	1.170	**1.519**
3.500	10	**3.497**	**-9.0**	-7.8	-24.5	**79.7**	**3.472**	3.589	**3.789**
1.250	**Germany** 2	**1.006**	**22.3**	23.2	27.5	**39.2**	**0.975**	1.260	**1.395**
3.250	10	**3.135**	**-45.2**	-44.4	-44.8	**36.2**	**3.106**	3.386	**3.354**
0.550	**Hong Kong** 2	**0.651**	**-13.2**	-9.3	-38.4	**-38.0**	**0.650**	0.601	**0.623**
2.160	10	**3.036**	**-55.1**	-51.7	-85.1	**-127.7**	**3.033**	2.983	**1.715**
5.000	**Italy** 2	**1.875**	**109.2**	107.1	48.0	**118.1**	**1.814**	1.465	**2.184**
4.250	10	**4.101**	**51.4**	47.9	24.2	**157.1**	**4.029**	4.076	**4.563**
0.200	**Japan** 2	**0.160**	**-62.3**	-58.3	-81.0	**-54.0**	**0.160**	0.175	**0.463**
1.300	10	**1.360**	**-222.7**	-218.6	-246.5	**-165.6**	**1.364**	1.369	**1.336**
2.500	**Netherlands** 2	**1.072**	**28.9**	32.8	-19.3	**71.2**	**1.071**	0.792	**1.715**
3.500	10	**3.484**	**-10.3**	-17.8	-29.4	**98.0**	**3.372**	3.540	**3.972**
3.200	**Portugal** 2	**2.224**	**144.1**	152.0	24.4	**84.6**	**2.263**	1.229	**1.849**
4.750	10	**4.805**	**121.8**	116.4	17.9	**146.7**	**4.714**	4.013	**4.459**
5.350	**Spain** 2	**1.853**	**107.0**	107.3	45.1	**123.5**	**1.816**	1.436	**2.238**
4.000	10	**4.137**	**55.0**	57.0	14.0	**148.6**	**4.120**	3.974	**4.478**
2.750	**Switzerland** 2	**0.458**	**-32.5**	-28.2	-35.1	**-54.4**	**0.461**	0.634	**0.459**
2.250	10	**1.944**	**-164.3**	-157.9	-170.6	**-80.7**	**1.971**	2.128	**2.185**
3.250	**U.K.** 2	**1.257**	**47.4**	41.0	28.6	**68.7**	**1.153**	1.271	**1.690**
4.500	10	**3.933**	**34.6**	33.1	23.0	**74.6**	**3.881**	4.064	**3.738**
0.875	**U.S.** 2	**0.783**	**...**	...	...	**...**	**0.743**	0.985	**1.003**
3.375	10	**3.587**	**...**	...	...	**...**	**3.550**	3.834	**2.992**

Source: Thomson Reuters

U.S. Treasury yield curve

The curve shows the yield to maturity of current bills, notes and bonds; all data as of 3 p.m. ET.



Ryan Index	Yield to maturity	Modified duration	TOTAL RETURN Month to-date	Quarter to-date	Year to-date	12-month
30-year Treasury	**4.493%**	16.26	0.33%	2.77%	2.77%	–10.02%
10-year Treasury	**3.546**	8.19	0.59	2.77	2.77	–1.98
7 Year Treasury	**2.985**	6.24	0.68	3.02	3.02	...
Five-year Treasury	**2.217**	4.69	0.68	2.34	2.34	2.86
Ryan Index	**2.541**	6.70	0.48	2.24	2.24	0.07
3 Year Treasury	**1.239**	2.87	0.41	1.55	1.55	3.54
Two-year Treasury	**0.764**	1.97	0.15	0.93	0.93	2.47
1 Year Treasury	**0.315**	0.94	–0.02	0.19	0.19	1.24
Six-month Treasury	**0.162**	0.50	...	0.04	0.04	0.65
Ryan Cash Index-a	**0.150**	0.44	...	0.06	0.06	0.60
Three-month bill	**0.091**	0.25	...	0.01	0.01	0.38
One-month bill	**0.030**	0.07	...	...	...	0.14

a-Performance of a cash investment

Source: Ryan ALM

Key money rates

	Latest	52 wks ago
Prime rates		
U.S.	**3.25%**	3.25%
Canada	**2.25**	3.00
Japan	**1.475**	1.475
Britain	**0.50**	1.00
ECB	**1.00**	2.00
Switzerland	**0.52**	0.52
Australia	**3.75**	3.25
Hong Kong	**5.25**	n.a.
Libor		
One month	**0.22844%**	0.44688%
Three month	**0.25000**	1.22813
Six month	**0.38625**	1.70438
One year	**0.84250**	2.00000

	Latest	52 wks ago
Euro Libor		
One month	**0.38563%**	1.67625%
Three month	**0.60063**	2.00438
Six month	**0.92188**	2.09063
One year	**1.19750**	2.19625
Hibor		
One month	**0.06964**	0.20000%
Three month	**0.13000**	0.79429
Six month	**0.24857**	1.15071
One year	**0.53929**	1.55143
Asian dollars		
One month	**0.2396%**	0.45%
Three month	**0.2566**	1.2200
Six month	**0.3880**	1.7040
One year	**0.8440**	1.9920

	Offer	Bid
Eurodollars		
One month	**0.3000%**	0.2000%
Three month	**0.3300**	0.2300
Six month	**0.5500**	0.3500
One year	**0.8500**	0.5000

	Latest	52 wks ago
U.S. discount	**0.50%**	0.50%
Fed-funds target	**0.25**	0.25
Call money	**2.00**	2.00
Overnight repurchase rates		
U.S.	**0.18%**	0.28%
U.K. (BBA)	**0.502**	0.908
Euro zone	**0.56**	1.20

Sources: WSJ Market Data Group; Reuters

MARKETS

Germany targets Swiss banks' data

Switzerland protests as German states weigh new offers to buy the names of suspected tax evaders

German officials said they were weighing fresh offers from informants after deciding last week to pay €2.5 million ($3.4 million) for the names of suspected tax evaders in what is evolving into a broad attack on Switzerland's system of banking secrecy.

*By **David Crawford** and **Vanessa Fuhrmans** in Berlin and **Deborah Ball** in Zurich*

Over the past week, German officials have launched a tactical and rhetorical assault on Swiss banking, a strategy that appears to be aimed at undermining both Switzerland's tradition of secrecy and its preeminence as a tax refuge. In addition to agreeing to purchase the data, a move Switzerland protested, Germany signaled it would likely share whatever information it secures with other countries.

"There's no future for bank secrecy," German Finance Minister Wolfgang Schäuble said in a Saturday interview with German newspaper Süddeutsche Zeitung. "It's finished. Its time has run out."

Authorities from the German state of North Rhine-Westphalia, where the data had been offered, reached a deal in recent days with a confidential informant to acquire an initial trove of secret Swiss banking data, a German official familiar with the investigation said over the weekend. The records, which authorities said originated from a Swiss bank, include account details of some 1,500 Germans suspected of using the Swiss accounts to hide undeclared money.

German finance officials, who have reviewed samples of the data set, now believe the information could yield €400 million in back taxes, more than double initial estimates, according to the official. The German Tax Union, a labor union for tax collectors and finance officials, estimates that tax evasion—including hiding money abroad and other unreported income—costs the German government some €30 billion in lost revenue annually.

Reuters

A poster in Zurich protesting Germany's agreement to buy secret Swiss bank data from an unidentified informant shows German Chancellor Angela Merkel and Finance Minister Wolfgang Schäuble.

The prospect of similar tax bonanzas is spurring German authorities to consider additional offers from unidentified hackers or thieves. Over the weekend, officials in the southern German states of Bavaria and Baden-Württemberg said they also were reviewing offers of banking information from Switzerland, but didn't provide any details about the sources.The Netherlands, Belgium, Austria and other European countries quickly clamored for access to any data that Germany buys.

The German government is making clear that the endgame in its negotiations with informants is to upend Switzerland's system of banking secrecy altogether. Under pressure from the U.S. and other countries, particularly in Europe, Switzerland recently agreed to water down its banking-secrecy laws. But Germany in particularhas frequently complained that its Alpine neighbor has been slow to cooperate with foreign tax authorities and continues to offer itself as an attractive haven for tax cheats.

Swiss officials, in their condemnation of Germany's moves to procure the stolen data, acknowledge that the development could more broadly destabilize Switzerland's private banking system.

"We find the development simply difficult, worrying," Swiss President Doris Leuthard said on national television over the weekend. "If one buys, it makes it more attractive, it makes it a business and that creates more of a market." A Swiss finance ministry spokesman reiterated that if the data were stolen, they should be returned.

The German government has launched a campaign in public and in private over the past week to maximize pressure both on Switzerland and on tax-evading German citizens. A German finance official said tax accords and treaties with other countries would likely enable Germany to share whatever Swiss banking data it secures.

German authorities have remained tight-lipped on which bank or banks may be the source of the data they are reviewing, allowing no German citizen with money hidden in a Swiss bank account to feel at ease. The tactic appears to be having some effect. Over the weekend, tax agencies across Germany reported that a number of tax dodgers have turned themselves in and agreed to pay back taxes to avoid prosecution.

An official familiar with the investigations said investigators in three German states are examining account records hacked or stolen from **UBS** AG, **HSBC Holdings** PLC and **Julius Baer Group**. All three banks declined to comment on what they called speculation.

Hidden riches

Estimates of amounts hidden abroad by German tax evaders:

COUNTRY	AMOUNT, IN BILLIONS
Switzerland	€175
Luxembourg	85
Austria	70
Other countries	155

Note: €1 billion=$1.37 billion
Sources: bbw Marketing; German Finance Ministry

Chasing risk as regulators brake

Continued from page 17

company **Wilmar International** and Australia's **Cape Lambert Resources** scrapped plans for initial public offerings for business units because of weak markets. In Shanghai, one of the world's best-performing stock markets until recently, shares are down 11% this year and recent IPOs have disappointed.

The return of risk signals that the financial world is entering the next phase of its healing process. Greater willingness to take on risk means companies have more funding choices, while investors can fill out their portfolios with a wider range of investments.

This comes even as governments consider ratcheting back the low interest rates and easy-lending practices they adopted amid the slowdown to keep speculative bubbles from forming. It also comes as governments discuss how to regulate retail investors' access to more risky instruments.

The challenge for banks will be to avoid the pitfalls that created the 2008 financial crisis, as well as taking steps to remain in the good graces of financial regulators armed with new rules and mandates.

Banks are responding to institutional investors who are stepping back into markets after more than a year of hoarding cash. Average cash balances held by global investors have fallen to 3.4%, the lowest since mid-2007, while a net 52% of investors were overweight equities, up sharply from 37% in December, according to Bank of America Merrill Lynch's January survey of fund managers.

Convertible bonds, a favorite tool of hedge funds, are complex and generally considered riskier than conventional debt. Since the year began, $1.25 billion has been raised through the sale of convertible bonds in Asia, compared with $81 million a year earlier, Dealogic figures show.

The revival of convertible bonds is a global phenomenon: This year, companies have raised $6.46 billion from them, compared with just $964 million in the same period last year.

"Issuers can still save substantially on interest costs by issuing a convertible bond versus equivalent straight debt," said Heather Beattie, vice president, convertible bond research, at Barclays.

Yields in the latest deals suggests companies aren't having trouble raising cheap money.

A 1.71 billion Chinese yuan ($250 million) convertible bond offering by Chinese coking-coal producer **Hidili Industry International Development** recently offered a coupon of 1.5%, for instance, while Taiwan's blue-chip semiconductor maker **United Microelectronics** raised $207 million from two zero-coupon exchangeable bonds in early December.

Still to come this year are $500 million of Islamic exchangeable bonds by Malaysian sovereign-wealth fund **Khazanah Nasional** and a $1 billion offering by **Hon Hai Precision Industry**.

In what would be the biggest ever domestic offering in China, **Bank of China** is offering 40 billion yuan ($6 billion) of bonds convertible into A shares.

The market is unlikely to see the heady terms of two years ago any time soon, says Rob Chan, vice president of convertible origination at Citigroup. Still, "increasingly aggressive structures will likely get done," he said.

Derivatives are another area where risk is back. Apart from bond-related derivatives such as equity-linked notes, investors are increasingly buying into products linked to oil- and gold-price movements, as well as emerging-market currencies, whose domestic markets have high interest rates.

CIC offers glimpse into U.S. assets

Continued from page 17

that. Last month, Mr. Lou said the fund would focus on investing in emerging markets in 2010, where he said opportunities were more plentiful.

The SEC disclosure comes amid speculation that China's government might allot new funds to CIC, which Beijing established in September 2007 to invest a portion of its foreign-exchange holdings.

Z-Ben has estimated that CIC could get another $200 billion or more. China's government hasn't addressed such speculation.

In August, Mr. Lou said CIC might ask for more funds if its returns were solid and the country's currency reserves continued to rise. The reserves grew by $188 billion in the final four months of last year, ending 2009 at $2.40 trillion—$1 trillion more than the level than when CIC was established.

The SEC filing doesn't include indirect stakes CIC owns in U.S.-listed companies through the billions of dollars it has farmed out to outside hedge-fund managers and hedge funds-of-funds. CIC also agreed in November to acquire a 15% equity stake in U.S.-based power firm AES Corp. for $1.6 billion, a deal that is still awaiting regulatory approvals and doesn't appear in the filing.

It isn't clear why CIC made the filing now or why the list isn't complete. SEC rules require institutional investment managers with at least $100 million in equity assets under management to file a 13F form like the one CIC filed, but CIC's U.S. holdings have exceeded that amount for some time, and some other sovereign funds haven't made such filings public. A CIC spokeswoman said only that it made the disclosure "according to SEC requirements."

CIC has made previous efforts to increase its transparency, amid wariness in some countries that sovereign funds might be directed by political agendas in addition to financial goals. Last year, CIC published its first annual report, in Chinese and English.

In a recent report, Sven Behrendt, a visiting scholar at the Carnegie Endowment for Peace, ranked CIC fifth among 26 sovereign-wealth funds in to their adherence to the Santiago Principles, a set of voluntary standards governing the funds' transparency and accountability.

The new disclosure should ease concerns about CIC's investment approach, said Rachel Ziemba, an analyst at Roubini Global Economics.

The SEC filing doesn't show how profitable CIC was from its U.S. holdings in 2009, although some if its investments have proven tidy earners.

—Rick Carew in Hong Kong contributed to this article.

HEARD ON THE STREET

Email: heard@wsj.com FINANCIAL ANALYSIS & COMMENTARY WSJ.com/Heard

CIC isn't such a big, scary wolf

So much for the big bad wolf. Detailing its U.S. stock holdings, **China Investment Corp.** has revealed itself to be more like Little Red Riding Hood's grandmother.

Much of the $9.63 billion CIC holds in U.S. equities was already documented: Stakes in **Teck Resources** and **Morgan Stanley** accounted for half of the amount disclosed by value, as of December. Of the rest, half was in exchange-traded funds, and the rest in small stakes of stocks, such as **Coca-Cola**.

"These could be the stock holdings of a 65-year old widow," says Michael McCormack, an executive director at Z-Ben Advisers, a Shanghai-based research firm.

If a stake in Coke is as close as this disclosure gets to fizz, that may be deliberate. The nature of the holdings—detailed in a filing with the Securities and Exchange Commission—allays fear among those who still wonder if CIC's role is more about extending China's political influence than generating returns.

For one thing, the position is relatively small. For reasons not immediately clear, the disclosure excludes a well-known $3 billion stake in **Blackstone Group**, but even with that added back, the U.S. stock holdings account for not much more than one-tenth of the $110 billion CIC Chairman Lou Jiwei in October said would be allocated to international investments.

For sure, the disclosure understates CIC's likely investment in the U.S. But not many sovereign-wealth funds have offered investors such a detailed look at their portfolios.

If the sovereign-wealth fund remains as much of a grandmother in wolf's clothing, CIC may start to convince skeptics that it really is just another prudent long-term investor.

—Andrew Peaple

OVERHEARD

Forget stock charts. For Hong Kong's wealthiest, feng shui rules. Investors whipped out their pads and pens Thursday when feng shui master **Lee Shing Chak** took the microphone from his stock-picking stagemates at a lunch organized by ABN Amro Private Banking.

The Chinese year of the tiger kicks off this month, and Mr. Lee noted tigers aren't auspicious creatures, typically bringing "conflict with them." He said that looking at the full 60-year cycle of the Chinese zodiac brings us back to 1950, when the Korean War broke out. "If I were an investor, I would be concerned about war, which can have an impact on the economy." Quite.

Mr. Lee said to be especially watchful for signs of ethnic conflict in or around Chinese borders around June 26th this year—the date of a partial lunar eclipse visible over East Asia.

—overheard@wsj.com

Should TV take cue from Apple?

Is **Apple**'s new e-book store a model for the television industry?

It is clear the existing TV arrangement, under which cable operators sell packages of channels on behalf of media companies, is fraying. Fights between the two sides over subscription fees are escalating; another such dust-up looms this year when **Time Warner Cable**'s distribution agreement with **Walt Disney**'s channels, including ABC and ESPN, comes up for renewal.

Time Warner Cable CEO Glenn Britt noted last month that consumers were dissatisfied with the structure of cable-TV packages. He suggested operators and TV networks need to "offer a variety of packages, some of which might be slightly smaller." But a better approach might be for cable operators to get out of the business of packaging channels and simply sell access to their pipes, letting network owners market their programming directly to consumers. That is essentially how Apple's iPad bookstore will operate, as a storefront for book publishers to sell their books. Apple will take a 30% cut.

Lining up distribution through hardware makers and selling direct to consumers is what **Netflix** has done with its streaming service. About 52 different devices, including videogame consoles, DVD players and HD TV sets, now offer television-set access to Netflix streaming. That is helping the service draw viewers, despite its reliance on mostly older or little-known movies. Netflix last month said the streaming service has been used by 48% of its 12.3 million subscribers, or roughly 5% of the 115 million U.S. households with TVs.

Showtime/Everett Collection

A scene from "Weeds," one of the Showtime series available online.

Plenty of other content can now be delivered to the TV set via the Web. **CBS**, for instance, offers delayed access to some CBS-network and Showtime programs through many Web outlets including Sony Blu-Ray players and HD TV sets with built-in Internet access.

It may be a while before other media companies are as adventurous. Most generate big revenues from the fees they charge cable and satellite operators to carry their programming, including little-watched channels. A recent industry initiative by Time Warner and **Comcast** to offer cable programming on the Internet is restricted to people who have a video subscription.

But the current business model relies on forcing consumers to pay for large packages of channels, not all of which they necessarily want. Nielsen estimates households watched only 18 channels on average in 2008, out of the 130 they receive. SNL Kagan estimates monthly cable bills average $73, including premium channels.

The situation has parallels to the music industry, which in the 1990s stopped selling singles, forcing consumers to buy an album to get the song they wanted. That helped fuel music piracy. There is a danger of something similar happening in television. The growing ease with which TV sets can connect to the Internet could increase viewing of pirated TV shows.

Over time, then, competition from the Internet is likely to put pressure on the price cable operators charge consumers for video. When that happens, owners of the most popular networks may find they can do better by dealing directly with viewers than being part of a broader bundle. As for cable operators, Sanford C. Bernstein analyst Craig Moffett estimates getting out of video packaging, and reinventing themselves as pure access businesses, would boost their free cash flow because expenses would fall more than revenue.

This shift won't happen overnight. But digital technology has a way of breaking down artificial, high-priced barriers to content.

—Martin Peers

Kirin avoids a Suntory-merger hangover

Sometimes it's just better to pass on that next round.

Japan's **Kirin Holding** and closely held **Suntory Holdings** Monday scrapped plans to team up and create one of the world's largest brewers. They couldn't overcome differences over who would own and manage the future company, the companies said.

In truth, Kirin was never going to find it easy to fold in a family-owned company that was willing to sacrifice profits for four decades in an effort to win market share.

Kirin's shares tumbled 7.4% in response, but disappointed investors are overlooking some good news here: Rather than caving to Suntory's demands, Kirin walked away.

Suntory said it wanted to own half the combined company, despite generating only two-thirds as much revenue as Kirin. Many analysts expected Kirin to control as much as 70% of the combined entity.

Another sticking point was whether the merged company would remain listed. In truth, Kirin was never going to find it easy to fold in a family-owned company that was willing to sacrifice profits in its beer business for four decades in an effort to win market share.

Foreign brew

Kirin said its overseas expansion will continue after merger talks with Suntory Holdings collapsed. Top five M&A transactions by Kirin, since 2007:

Target	Target nation	Status	Announced	Value, excluding debt, in billions of dollars
National Foods	Australia	Completed	Nov. 8, 2007	$2.6
Lion Nathan	Australia	Completed	April 27, 2009	$2.5
Kyowa Hakko Kogyo	Japan	Completed	Oct. 22, 2009	$1.5
San Miguel Brewery	Philippines	Completed	Feb. 20, 2009	$1.4
Australian Co-operative Foods	Australia	Completed	Aug. 25, 2008	$0.6

Sources: Dealogic; European Pressphoto Agency (photo)

Kirin headquarters building in Tokyo

Certainly, the deal held much potential. Before any antitrust-driven divestments, it would have given the two companies control of nearly half of Japan's market for beer and similar malt drinks and one-third of the soft-drinks market.

But Kirin still has much going for it. A substantial portion of revenue, expected at just over a quarter this fiscal year, is from faster-growing international markets. That is due in part to an acquisition strategy that had it spending some $10.3 billion overseas in the last three years, Dealogic says. This strategy can continue with or without Suntory, thanks to Kirin's relatively robust balance sheet.

For Kirin, the greater mistake would have been giving up too much to Suntory. By walking away, the company is avoiding a nasty hangover.

—James Simms

MARKETS LINEUP

Moving the markets

At right, Japan's benchmark stock index and the biggest movers among the larger Asian stocks indexes and stocks Monday. Below each index are its most actively traded stocks. The charts show the percentage change in each index's or stock's value, rather than the point change, for purposes of comparison. The index level or stock price is indicated on each axis. All indexes and stocks are shown in local currency terms.

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Asian index movers...

Nikkei Stock Average
Japan 9951.82
▼ **1.05% or 105.27**

The index ended below 10000 for the first time in nearly two months as concerns over Europe's debt continued. Kirin slid 7.4% after its merger talks with Suntory fell through.

Stock	Volume in millions	Close	Change Net	Change %
Mizuho Financial	**126.00**	173	1	0.58
Hitachi	**90.30**	307	–8	–2.54
Mtshbsh Fin Grp	**64.91**	455	–2	–0.44
Toshiba	**57.95**	423	–7	–1.63
Sanyo Elec	**38.37**	141	–2	–1.40

Kospi
South Korea 1552.79
▼ **0.91% or 14.33**

Foreign investors sold stocks amid concerns over the risk of sovereign default in Europe. Woori Finance skidded 5.1% on worries about Kumho Asiana's debt restructuring.

Stock	Volume in millions	Close	Change Net	Change %
Korea Data Sys	**65.59**	320	–15	–4.48
Samyang Optics	**40.39**	1,160	–125	–9.73
Kwangmyung El	**36.15**	2,620	20	0.77
Hansol Homedeco	**31.62**	2,190	285	14.96
Baemyung Metal	**17.59**	1,360	–90	–6.21

Hang Seng
Hong Kong 19550.89
▼ **0.58% or 114.19**

Cnooc fell 1.7% and PetroChina slipped 1.8% on weak crude-oil prices. Market volume declined as investors turned cautious ahead of the Lunar New Year holiday.

Stock	Volume in millions	Close	Change Net	Change %
Icbc	**421.31**	5.41	–0.10	–1.81
Bank Of China	**311.07**	3.59	–0.05	–1.37
CCB	**259.97**	5.77	–0.04	–0.69
PetroChina	**113.02**	8.25	–0.15	–1.79
ChinaPetroChem	**100.32**	5.75	–0.10	–1.71

Straits-Times
Singapore 2693.62
▲ **0.37% or 10.06**

DBS's strong fourth-quarter results helped boost banking shares; DBS rose 1.6% and OCBC advanced 1.9%. SingTel rose 1.7% as the stock's defensive quality drew investors.

Stock	Volume in millions	Close	Change Net	Change %
Genting Spore	**255.12**	1.09	–0.02	–1.80
Golden Agri	**94.83**	0.50	–0.01	–0.99
Noble Grp	**18.88**	2.73	–0.03	–1.09
Sing Telecom	**16.71**	2.95	0.05	1.72
Cosco	**13.08**	1.18	–0.03	–2.48

Asian stocks in the news

Woodside Petroleum
Australia A$42.33
▲ **2.0% or A$0.81**

Shares tracked Friday's rise in the price of Nymex crude oil.

Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**2.40**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Oil & Gas	**-0.7%**	-2.3%	39.5%
Woodside Petroleum	**2.0%**	1.8%	33.3%

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Benesse Holdings
Japan ¥3,965
▲ **2.9% or ¥110**

Foreign institutional investors bought the stock for its reliance on domestic demand.

Price-to-earnings ratio	**22**
Earnings per share, past four quarters	**177.70**
Dividend yield	**2.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.8%**	-0.6%	33.8%
Benesse Holdings	**2.9%**	3.9%	6.3%

Yamaha Motor
Japan ¥1,198
▼ **4.5% or ¥56**

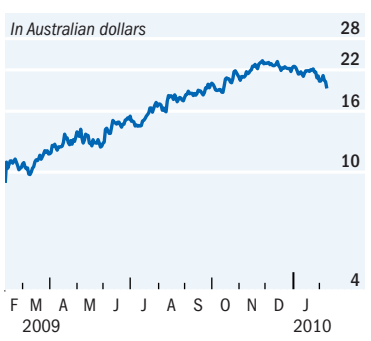
The company said it is likely to post a deeper loss than expected for 2009.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-754.60**
Dividend yield	**none**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Automobiles & Parts	**-1.4%**	-1.6%	40.3%
Yamaha Motor	**-4.5%**	-0.7%	40.9%

JB Hi-Fi
Australia A$19.07
▼ **5.1% or A$1.03**

The stock slid on news that the company's CEO will retire.



Price-to-earnings ratio	**18**
Earnings per share, past four quarters	**1.03**
Dividend yield	**1.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Retail	**-0.8%**	-0.6%	33.8%
JB Hi-Fi	**-5.1%**	-5.5%	107.3%

Panasonic
Japan ¥1,318
▼ **5.3% or ¥74**

Shares fell after UBS downgraded the stock to neutral and after the yen gained.

Price-to-earnings ratio	**none**
Earnings per share, past four quarters	**-57.10**
Dividend yield	**0.8**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Personal & Hshld Gds	**-1.2%**	-2.2%	34.0%
Panasonic	**-5.3%**	-8.2%	17.7%

Asahi Breweries
Japan ¥1,654
▼ **5.5% or ¥97**

Investors viewed the Kirin news as a setback for consolidation of Japan's beverage sector.

Price-to-earnings ratio	**15**
Earnings per share, past four quarters	**107.50**
Dividend yield	**1.3**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**-1.4%**	-1.7%	40.4%
Asahi Breweries	**-5.5%**	-7.5%	23.4%

Kirin Hldgs
Japan ¥1,337
▼ **7.3% or ¥106**

The brewer ended merger talks with Suntory over differences about the integrated entity's listing.

Price-to-earnings ratio	**29**
Earnings per share, past four quarters	**45.70**
Dividend yield	**1.7**

	PERCENTAGE CHANGE Daily	1 wk.	52 wks
Food & Beverage	**-1.4%**	-1.7%	40.4%
Kirin Hldgs	**-7.3%**	-3.7%	32.5%

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